

# ALASKA RETIREMENT MANAGEMENT BOARD

DEFINED CONTRIBUTION  
PLAN COMMITTEE  
September 14, 2022

**STATE OF ALASKA  
ALASKA RETIREMENT MANAGEMENT BOARD**

**DEFINED CONTRIBUTION PLAN COMMITTEE MEETING**

**September 14, 2022 – 10:00 a.m.**  
*(or immediately following the Audit Committee Meeting)*

Atwood Conference Center, Rooms 102/104  
550 W. 7<sup>th</sup> Ave., Anchorage, AK

**Call In (Audio Only): 1-907-202-7104**

**Code: 111 618 439#**

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. A. Approval of Agenda  
B. Approval of Minutes – June 15, 2022**
- V. Public / Member Participation, Communications and Appearances**  
*(Three Minute Limit. Callers may need to press \*6 to unmute.)*
- VI. T. Rowe Price Target Date Fund Restructuring**  
*Chris Dyer, Institutional Business Development Executive  
Anne Fader, Director, Client Implementation  
Andrew Jacobs Van Merlen, Portfolio Manager, Multi-Asset  
Charles Shriver, Portfolio Manager, Multi-Asset  
Victoria Fung, Vice President, Senior Defined Contribution Specialist*
- VII. TRS DCR / SBS Discussion**  
*Ben Hofmeister, Assistant Attorney General, Department of Law*
- VIII. Self-Directed Brokerage Window Discussion**  
*Zachary Hanna, Chief Investment Officer  
Ben Hofmeister, Assistant Attorney General, Department of Law*
- IX. Division of Retirement and Benefits Update**
  - A. Chief Pension Officer Report**  
*Jim Puckett, Chief Pension Officer, Division of Retirement and Benefits*
  - B. Empower Update**
    - 1. Fee Transparency
    - 2. Quality Assurance
    - 3. Managed Accounts*Liz Davidsen, State Director, Empower  
Marybeth Daubenspeck, Vice President, Empower*
- X. Treasury DC Update**  
*Zachary Hanna, Chief Investment Officer  
Michelle Prebula, Public Equity & DC Investments Investment Officer*

- XI. Future Meetings**
  - A. Calendar Review**
  - B. Agenda Items**
  - C. Requests/ Follow Ups**
- XII. Other Matters to Properly Come Before the Committee**
- XIII. Public / Member Comments**
- XIV. Adjournment**

PUBLIC

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
**DEFINED CONTRIBUTION PLAN COMMITTEE MEETING**

**Videoconference**

**MINUTES OF**  
**June 15, 2022**

**Wednesday, June 15, 2020**

**CALL TO ORDER**

CHAIR BOB WILLIAMS called the meeting of the ARM Board Defined Contribution Plan Committee to order at 10:00 a.m.

**ROLL CALL**

Six trustees were present at roll call to form a quorum.

**Committee Present:** Bob Williams, *Chair*  
Allen Hippler  
Donald Krohn  
Dennis Moen  
Sandra Ryan  
Michael Williams

**Committee Absent:** None

**Other Trustees Present:** None

**IAC Members Present:** Dr. William Jennings  
Ruth Ryerson

**Department of Revenue Staff Present:**

Zachary Hanna, Chief Investment Officer  
Pamela Leary, Director, Treasury Division  
Michelle Prebula, State Investment Officer  
Sam Hobbs, Accountant V  
Scott Jones, Head of Investment Operations, Performance & Analytics  
Hunter Romberg, Investment Data Analyst  
Grant Ficek, Business Analyst  
Alysia Jones, Board Liaison

**Department of Administration Staff Present:**

Ajay Desai, Director, Division of Retirement & Benefits



Jim Puckett, Chief Pension Officer, Division of Retirement & Benefits  
Kevin Worley, Chief Financial Officer, Division of Retirement & Benefits  
Robert Aceveda, Retirement & Benefits Specialist III  
Emily Ricci Health Care Policy Administrator  
Traci Walther, Account V  
Hans Zigmund, Deputy Commissioner  
Amanda Pillifant, Executive Secretary, Commissioner's Office, Department of Administration

**ARMB Legal Counsel Present:**

Benjamin Hofmeister, Assistant Attorney General, Department of Law

**Others Present:**

Chris Dyer, T. Rowe Price  
Charles Shriver, T. Rowe Price  
Anne Fader, T. Rowe Price  
Antonio Luna, T. Rowe Price  
Benjamin Gugliotta, T. Rowe Price  
Andrew Jacobs Van Merlen, T. Rowe Price  
Victoria Fung, T. Rowe Price  
Eric Cheskin, T. Rowe Price  
Abby Groom, T. Rowe Price  
Liz Davidsen, Empower  
Dawn Knox, T. Rowe Price  
Paul Erlendson, Callan LLC  
Steve Center, Callan LLC

**I. PUBLIC MEETING NOTICE**

Board Liaison ALYSIA JONES confirmed that public meeting notice requirements had been met.

**APPROVAL OF AGENDA**

MS. RYAN moved to approve the agenda. MR. KROHN seconded the motion. The agenda was approved without objection.

**APPROVAL OF MINUTES: March 16, 2022**

MR. MOEN moved to approve the minutes of the March 16, 2022 meeting. MR. WILLIAMS seconded the motion. MS. RYAN requested one correction on page 3 to clarify membership moving to DC plan due to hire date. The minutes, as corrected, were approved without objection.

**PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS & APPEARANCES** – None.

**T. ROWE PRICE**

MS. FUNG gave a brief description of the presentations to come.

**A. Stable Value**

MR. LUNA discussed the mechanics of how stable value worked for the participants.

### **B. Target Date Fund Restructuring**

MR. GUGLIOTTA discussed how well the customized portfolio was performing in delivering its promise to preserve capital and provide a yield. MS. FADER reported on the direction they were moving for the rest of the quarter through quarter three. MS. FUNG reviewed the fee structure, noting all new fees were either less or equal to current fees. MR. VAN MERLEN reported on how they restructured the operating and administrative expenses.

## **DIVISION OF RETIREMENT AND BENEFITS UPDATE**

### **A. Chief Pension Officer Report**

MR. PUCKETT gave an update on the effect of the Metcalfe v. State decision, stating that all former members of PERS Tiers 1, 2, 3, and TRS Tier 1, have the right to return to PERS and TRS service and seek reinstatement.

### **B. Update on Deferred Compensation Fees**

MR. WORLEY reported that beginning July 1, 2022 the deferred compensation plan would have a reduced fee from 17 basis points down to 11 basis points.

### **C. Legislation Update**

MR. PUCKETT reported on HB 55, for peace officers and firefighters returning to the DB Plan and HB 220 which offers all PERS and TRS defined contribution members an opportunity to return to a defined benefit plan.

### **D. Recordkeeper Contract Extension**

MR. DESAI reported that the current contract with Empower would expire on June 30, 2023, however due to multiple ongoing projects, they postponed the RFP process for an additional year.

### **E. Empower Update**

MS. DAVIDSEN discussed fee transparency within the website. DR. JENNINGS inquired about the decision to display fees quarterly. The Committee requested additional clarification of costs be added to the website.

## **TREASURY DC UPDATES**

MR. HANNA explained that most of the update was contained in the two T Rowe Price presentations and that MS. PREBULA had worked on an additional item. MS. PREBULA said that item was a reduction in management fees for the Russell 3000 investment option from 1 basis point to .8 basis

points.

**COMMITTEE PERFORMANCE – SELF ASSESSMENT - None**

**REVIEW OF COMMITTEE CHARTER – None**

**FUTURE MEETINGS**

**A. Calendar Review – None**

**B. Agenda Items**

MR. HIPPLER suggested a discussion of the limited brokerage window, the number of funds potentially in that brokerage window, and the level of capacity to review a certain number of funds be added to the next meeting.

**OTHER MATTERS TO PROPERLY COME BEFORE THE COMMITTEE – None.**

**PUBLIC/MEMBER COMMENTS – None.**

**ADJOURNMENT**

There being no objection and no further business to come before the board, the meeting was adjourned at 11:43 a.m. on June 15, 2022, on a motion made by MR. HIPPLER and seconded by MR. KROHN.

**ATTEST:**

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Corporate Secretary

Note: An outside contractor recorded the meeting and prepared the summary minutes. For in-depth discussion and more presentation details, please refer to the recording of the meeting and presentation materials on file at the ARMB office.



# **ALASKA RETIREMENT MANAGEMENT BOARD**

14 SEPTEMBER 2022

# T. ROWE PRICE—PRESENTERS



**Andrew Jacobs van Merlen, CFA**

Portfolio Manager

- 19 years of investment experience
- 21 years with T. Rowe Price



**Victoria Fung**

Senior Defined Contribution Specialist

- 19 years of industry experience
- 5 years with T. Rowe Price



**Charles Shriver, CFA**

Portfolio Manager

- 23 years of investment experience
- 30 years with T. Rowe Price



**Christopher W. Dyer**

Institutional Business Development Executive

- 38 years of industry experience
- 34 years with T. Rowe Price

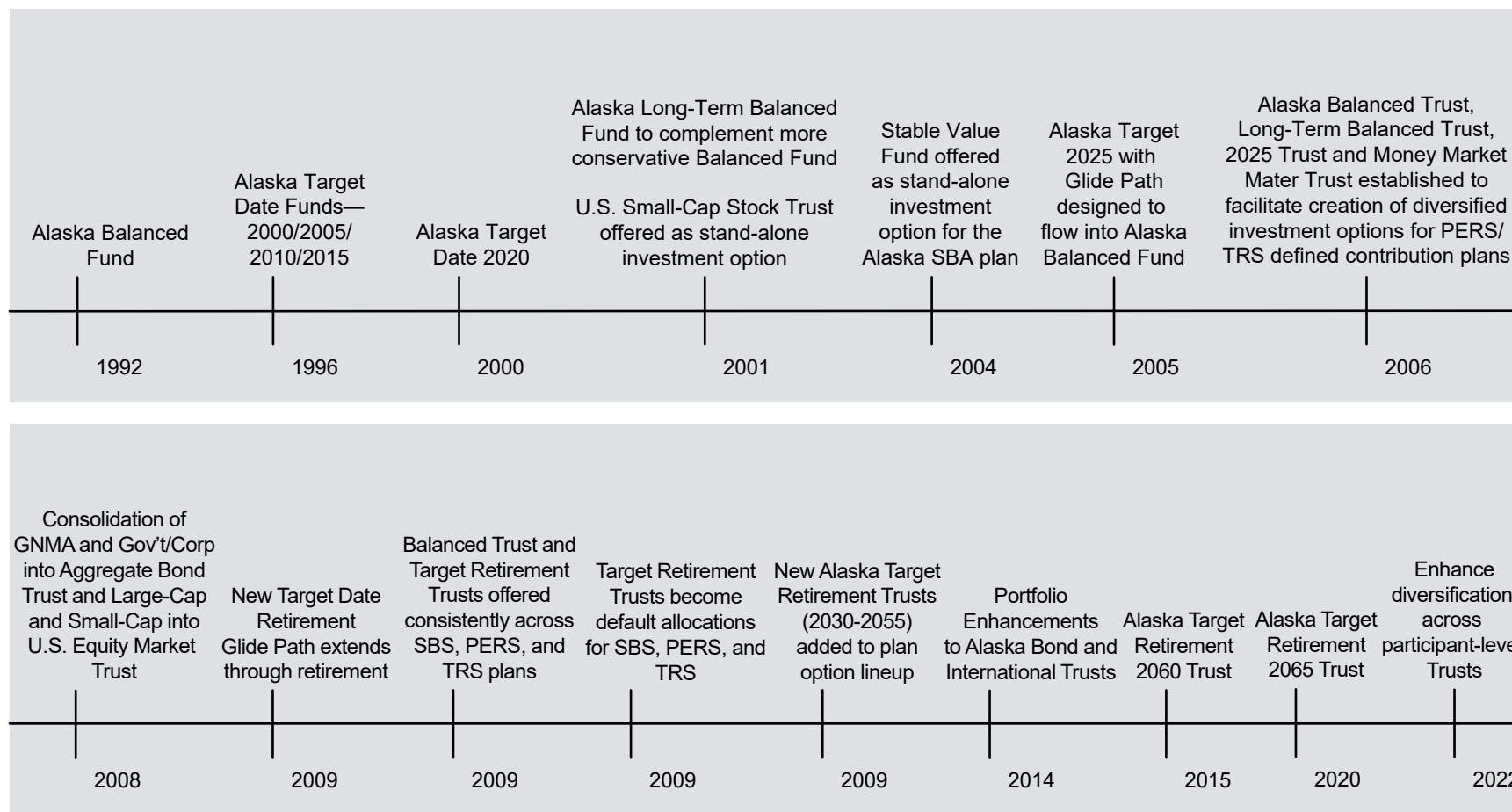
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# ARMB AND T. ROWE PRICE PARTNERSHIP SEEKING TO DELIVER BETTER OUTCOMES FOR PARTICIPANTS

As of 31 July 2022

## Relationship AUM

**Alaska Target Date and Balanced Fund AUM: 4,739,693,992 USD**



# ALASKA PORTFOLIO ENHANCEMENTS

Objectives for the enhancements of the Alaska Custom Target Date, Balanced, and Long-Term Balanced Strategies

- **Reducing overall costs** (management fee and operating costs) given the growth and size of your plan and target date strategies today to benefit participants
- Structural changes in the underlying asset classes by **leveraging T. Rowe Price's scale** through commingled collective trusts as building blocks while maintaining our customization
- **Further diversification** with additional asset class and approach style, including certain strategies where active management makes sense, more consistent with T. Rowe Price's best ideas in their proprietary target date

# STRUCTURAL CHANGES—IMPLEMENTATION PLAN

As of 30 June 2022

	CURRENT PROFILE Alaska Building Block Trusts		NEW PROFILE T. Rowe Price Trusts
U.S. Equities	Alaska US Equity Trust	➤	Equity Index Trust Structured Research Common Trust Fund <sup>1</sup> U.S. Mid-Cap Index Trust U.S. Small-Cap Index Trust
International Equities	Alaska International Trust	➤	International Developed and Emerging Equity Index Trust I International Core Equity Trust <sup>2</sup>
Bonds	Alaska Bond Trust	➤	QM U.S. Enhanced Aggregate Bond Index Trust <sup>3</sup> U.S. Treasury Long-Term Index Trust U.S. High Yield Trust
Conservative Fixed Income	Alaska Money Market Trust	➤	U.S. 1-5 Year TIPS Index Trust

<sup>1</sup> The T. Rowe Price Structured Research Common Trust Fund represents 20% of U.S. Equity large-cap allocation at neutral.

<sup>2</sup> The T. Rowe Price International Core Equity Trust represents 18% of International Equity allocation at neutral.

<sup>3</sup> The T. Rowe Price QM U.S. Enhanced Aggregate Bond Index Trust is an enhanced component.



# BLENDING BENCHMARK COMPONENTS

As of 30 June 2022

	CURRENT BENCHMARKS		NEW BENCHMARKS (After 3+ Quarters)
U.S. Equities	Russell 3000 Index	➤	Russell 3000 Index
International Equities	MSCI All-Country World ex-USA Index (Net)	➤	82% MSCI ACWxUSA Index (Net) 18% MSCI EAFE Index (Net)
U.S. Bonds	70% Bloomberg U.S. Intermediate Aggregate Bond Index 15% Bloomberg U.S. Floating Rate Notes Index 10% Bloomberg U.S. Treasury TIPS 1-5 Year Index 5% Bloomberg U.S. Long Treasury Bond Index	➤	100% Bloomberg Aggregate Index
U.S. Treasury Long Bonds	—	➤	Bloomberg US Long Treasury Bond Index
U.S. High Yield Bonds	—	➤	ICE BofA US High Yield Constrained Index
Conservative Fixed Income	FTSE 3-Month Treasury Bill Index	➤	Bloomberg 1-5 Year Treasury TIPS Index

Sources: London Stock Exchange Group plc and its group undertakings (collectively, the "LSE Group"), Bloomberg Index Services Limited, MSCI, and ICE BofA. Please see Additional Disclosures page for information about this FTSE Russell, Bloomberg, MSCI, and ICE BofA information.

# STRUCTURAL CHANGES—COMPARISON OF PORTFOLIO ALLOCATIONS

As of 30 June 2022

## BALANCED

CURRENT PROFILE		NEW PROFILE	
Alaska US Equity Trust	24.5%	Equity Index Trust	15.7%
		Structured Research Common Trust Fund <sup>1</sup>	3.9%
		U.S. Mid-Cap Index Trust	2.5%
		U.S. Small-Cap Index Trust	2.5%
Alaska International Trust	10.5%	International Developed and Emerging Equity Index Trust I	8.6%
		International Core Equity Trust <sup>2</sup>	1.9%
Alaska Bond Trust	63.0%	QM U.S. Enhanced Aggregate Bond Index Trust	47.6%
		U.S. Treasury Long-Term Index Trust <sup>3</sup>	4.7%
		U.S. High Yield Trust <sup>4</sup>	6.6%
Alaska Money Market Trust	2.0%	U.S. 1-5 Year TIPS Index Trust	6.0%

## 2050

CURRENT PROFILE		NEW PROFILE	
Alaska US Equity Trust	63.0%	Equity Index Trust	40.3%
		Structured Research Common Trust Fund <sup>1</sup>	10.1%
		U.S. Mid-Cap Index Trust	6.3%
		U.S. Small-Cap Index Trust	6.3%
Alaska International Trust	27.0%	International Developed and Emerging Equity Index Trust I	22.1%
		International Core Equity Trust <sup>2</sup>	4.9%
Alaska Bond Trust	10.0%	QM U.S. Enhanced Aggregate Bond Index Trust	7.5%
		U.S. Treasury Long-Term Index Trust <sup>3</sup>	2.0%
		U.S. High Yield Trust <sup>4</sup>	0.5%
Alaska Money Market Trust	0.0%	U.S. 1-5 Year TIPS Index Trust	0.0%

<sup>1</sup> The T. Rowe Price Structured Research Common Trust Fund represents 20% of U.S. Equity large-cap allocation at neutral.

<sup>2</sup> The T. Rowe Price International Core Equity Trust represents 18% of International Equity allocation at neutral.

<sup>3</sup> For the T. Rowe Price US Treasury Long-Term Index Trust, in the Balanced allocations, the Long Treasury allocation represents 8% of the overall Bond Allocation at neutral, and for the Target Date Trust Allocations, the Long Treasury allocation ranges from 8% up to 20% of the overall Bond allocation.

<sup>4</sup> For the T. Rowe Price US High Yield Trust, in the Balanced allocations, the High Yield allocation represents 11% of the overall Bond Allocation at neutral, and for the Target Date Trust Allocations, the High Yield Allocation ranges from 5% up to 11% of the overall Bond allocation.

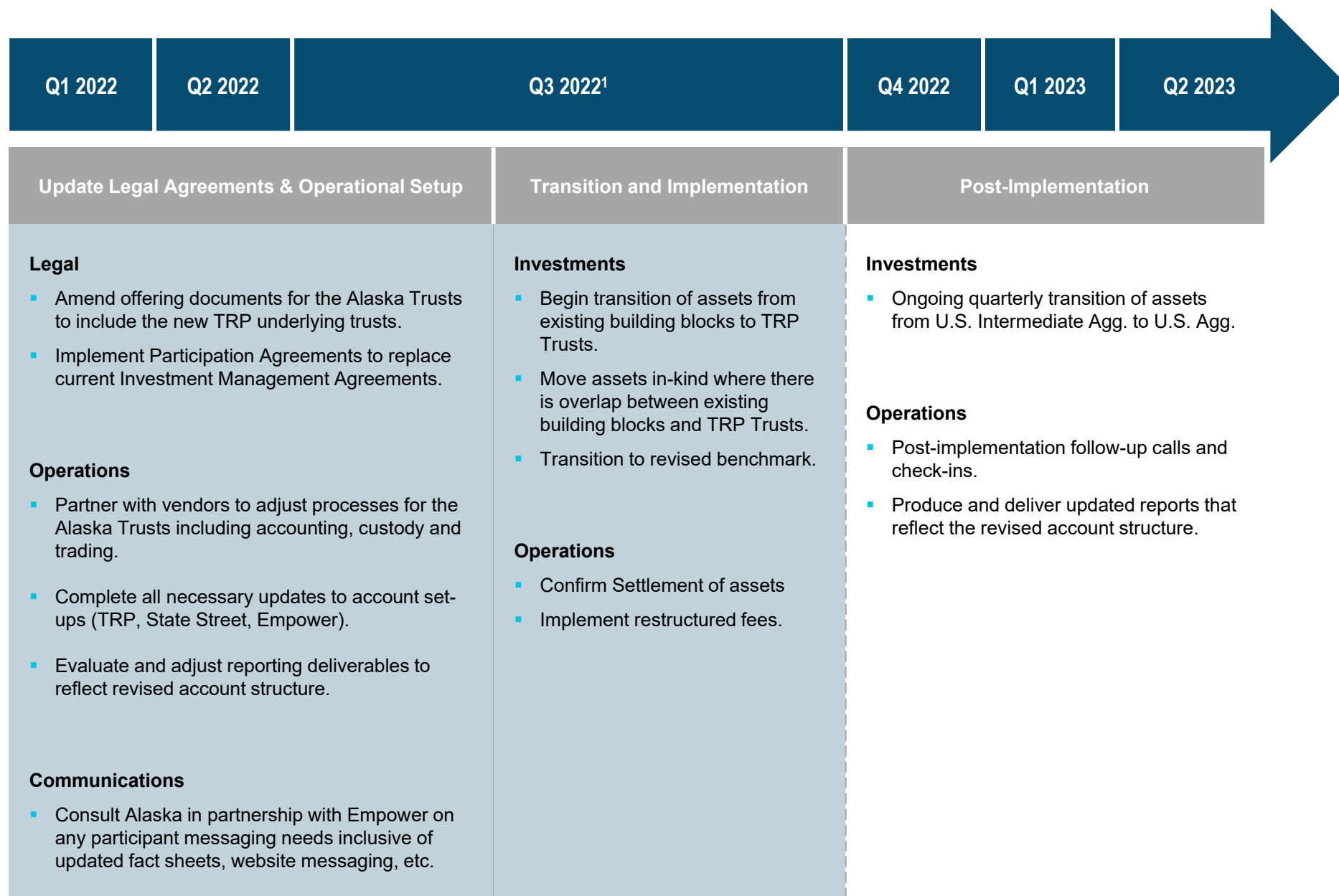
# TRANSITION ESTIMATES

As of 30 June 2022

	CURRENT PROFILE Alaska Building Block Trusts		NEW PROFILE T. Rowe Price Trusts
U.S. Equities	<b>Alaska US Equity Trust</b>		
	U.S. Large-Cap Equities	~95% In-Kind	Equity Index Trust
	U.S. Large-Cap Equities	~50% In-Kind	Structured Research Common Trust Fund
	U.S. Mid-Cap Equities	~95% In-Kind	U.S. Mid-Cap Index Trust
	U.S. Small-Cap Equities	~95% In-Kind	U.S. Small-Cap Index Trust
International Equities	<b>Alaska International Trust</b>		
	Emerging Market Equities International Developed Equities	~80% In-Kind	International Developed and Emerging Equity Trust I International Core Equity Trust
Bonds	<b>Alaska Bond Trust</b>		
	U.S. Core Bonds	~85% In-Kind	QM U.S. Enhanced Aggregate Bond Index Trust
	U.S. Long Treasuries	~95% In-Kind	U.S. Treasury Long-Term Index Trust
	U.S. Floating Notes	Cash	U.S. High Yield Trust
	U.S. Short TIPS		
Conservative Fixed Income	<b>Alaska Money Market Trust</b>	~90% In-Kind	U.S. 1-5 Year TIPS Index Trust

Note: Alaska Money Market Trust assets would be liquidated and used to fund the additional exposure to U.S. Treasury Long-Term Index Trust

# ALASKA TRANSITION TIMELINE



<sup>1</sup> Effective 1 September 2022, transition begins from Alaska custom building block trusts to TRP Trusts.

# FEE COMPARISON

As of 30 June 2022

	Current Total Fee	New Fee	Difference
Alaska Balanced Trust	0.0800%	0.0800%	0.0000%
Alaska Long-Term Balanced Trust	0.1000%	0.0945%	-0.0055%
Alaska Target Retirement 2010 Trust	0.1860%	0.0955%	-0.0905%
Alaska Target Retirement 2015 Trust	0.1070%	0.0955%	-0.0115%
Alaska Target Retirement 2020 Trust	0.1050%	0.0980%	-0.0070%
Alaska Target Retirement 2025 Trust	0.1080%	0.1030%	-0.0050%
Alaska Target Retirement 2030 Trust	0.1140%	0.1030%	-0.0110%
Alaska Target Retirement 2035 Trust	0.1190%	0.1055%	-0.0135%
Alaska Target Retirement 2040 Trust	0.1220%	0.1080%	-0.0140%
Alaska Target Retirement 2045 Trust	0.1250%	0.1130%	-0.0120%
Alaska Target Retirement 2050 Trust	0.1250%	0.1130%	-0.0120%
Alaska Target Retirement 2055 Trust	0.1260%	0.1130%	-0.0130%
Alaska Target Retirement 2060 Trust	0.1970%	0.1130%	-0.0840%
Alaska Target Retirement 2065 Trust	0.2220%	0.1130%	-0.1090%
Asset-Weighted Average Fee	0.1068%	0.0985%	-0.0083%

Fees listed represent the all-in fee inclusive of management expense as well as operating and administration (O&A) costs

# APPENDIX

# BLENDING BENCHMARK COMPONENTS

As of 30 June 2022

	CURRENT BENCHMARKS	AT TRANSITION	POST-TRANSITION (+1 Quarter)	POST-TRANSITION (+2 Quarters)	NEW BENCHMARKS (+3 Quarters)
<b>U.S. Equities</b>	Russell 3000 Index				
<b>International Equities</b>	MSCI All-Country World ex-USA Index (Net)	82% MSCI ACWxUSA Index (Net) 18% MSCI EAFE Index (Net)			
<b>U.S. Bonds</b>	70% Bloomberg U.S. Intermediate Aggregate Bond Index 15% Bloomberg U.S. Floating Rate Notes Index 10% Bloomberg U.S. Treasury TIPS 1-5 Year Index 5% Bloomberg U.S. Long Treasury Bond Index	75% Bloomberg U.S. Intermediate Aggregate Bond Index 25% Bloomberg U.S. Aggregate Bond Index	50% Bloomberg U.S. Intermediate Aggregate Bond Index 50% Bloomberg U.S. Aggregate Bond Index	25% Bloomberg U.S. Intermediate Aggregate Bond Index 75% Bloomberg U.S. Aggregate Bond Index	100% Bloomberg Aggregate Index
<b>U.S. Treasury Long Bonds</b>	—	Bloomberg US Long Treasury Bond Index			
<b>U.S. High Yield Bonds</b>	—	ICE BofA US High Yield Constrained Index			
<b>Conservative Fixed Income</b>	FTSE 3-Month Treasury Bill Index	Bloomberg 1-5 Year Treasury TIPS Index			

Sources: London Stock Exchange Group plc and its group undertakings (collectively, the “LSE Group”), Bloomberg Index Services Limited, MSCI. Please see Additional Disclosures page for information about this FTSE Russell, Bloomberg and MSCI information.

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*The following presentation is provided as reference only.*

# Target Date Fund Simulation Exercise

Bob Mitchell, Chief Investment Officer

June 19, 2019

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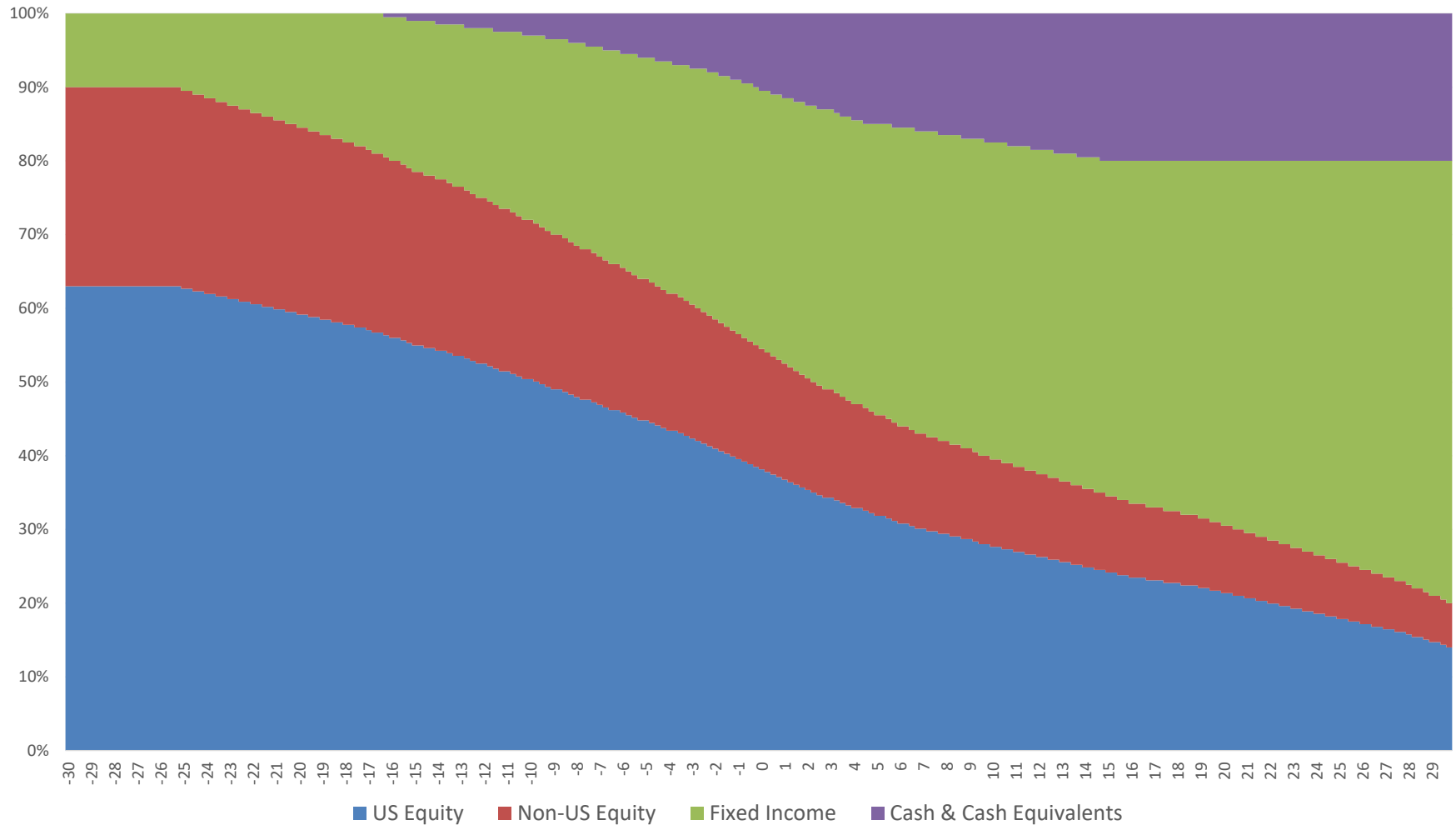
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# Background

- In 2017, the Department of Administration requested that the Department of Revenue build a stochastic model that simulates the experience of defined contribution employees enrolled in the Alaska Target Date Retirement Trusts.
- The purpose of the model was to test the likelihood that 30-year employees will have sufficient assets to last 30 years into retirement.
- Four cases were tested: PERS with SBS, Police/Fire with SBS, TRS, and TRS with 6.13% deferred compensation contributions.
- In 2019, the ARMB requested an update to this analysis at the upcoming June defined contribution committee meeting.
- Also in 2019, Representative Kopp requested an update to this analysis, incorporating additional occupational scenarios, including Police/Fire without SBS, 25-Year Career Police/Fire with SBS, 25-Year Career Police/Fire without SBS.
- In addition, several additional cases were requested for examination.

# Target Date Fund Glide Path

Target Date Fund Glide Path Relative to Years to/from Retirement



# Assumptions

- A blend of Callan's 2019 10-year & long-term capital market assumptions were used. 10-year assumptions were assumed during the first 10 years, were scaled linearly to the long-term assumptions during the next 10 years, and the long-term assumptions were assumed thereafter. Callan's generic fixed income assumption was used in place of the specific fixed income mix employed by the target date funds.
- Inflation was set at 2.25%/year, with employee salaries assumed to grow at 2.75%/year. Initial consumption in retirement was set at 70% of earnings at retirement. Consumption was assumed to grow with inflation thereafter.
- 10,000 trials were used for each simulation. The trials were rank-ordered, and the simulations that represented the 25<sup>th</sup>-, 50<sup>th</sup>- and 75<sup>th</sup>-percentiles of the distribution of outcomes are evaluated.
- A summary of the scenarios examined can be found in the table below.

	PERS w/o SBS	PERS w/o SBS + 6.13% Def. Comp.	PERS + SBS	PERS + SBS + 6.13% Def. Comp.	Police/Fire w/o SBS	Police/Fire w/o SBS + 6.13% Def.	Police/Fire + SBS	Police/Fire + SBS + 6.13% Def. Comp.	TRS w/o SBS	TRS + 6.13% Def. Comp.
Starting Salary	\$53,782	\$53,782	\$53,782	\$53,782	\$60,694	\$60,694	\$60,694	\$60,694	\$54,817	\$54,817
DCR Employee Contribution Rate	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
DCR Employer Contribution Rate	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	5.00%	7.00%	7.00%
SBS Employee Contribution Rate			6.13%	6.13%			6.13%	6.13%		
SBS Employer Contribution Rate			6.13%	6.13%			6.13%	6.13%		
Deferred Compensation		6.13%		6.13%		6.13%		6.13%		6.13%
Total Contribution Rate	13.00%	19.13%	25.26%	31.39%	13.00%	19.13%	25.26%	31.39%	15.00%	21.13%

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# DCR Participant Profile

Original Data presented to DC Plan Committee June 2019

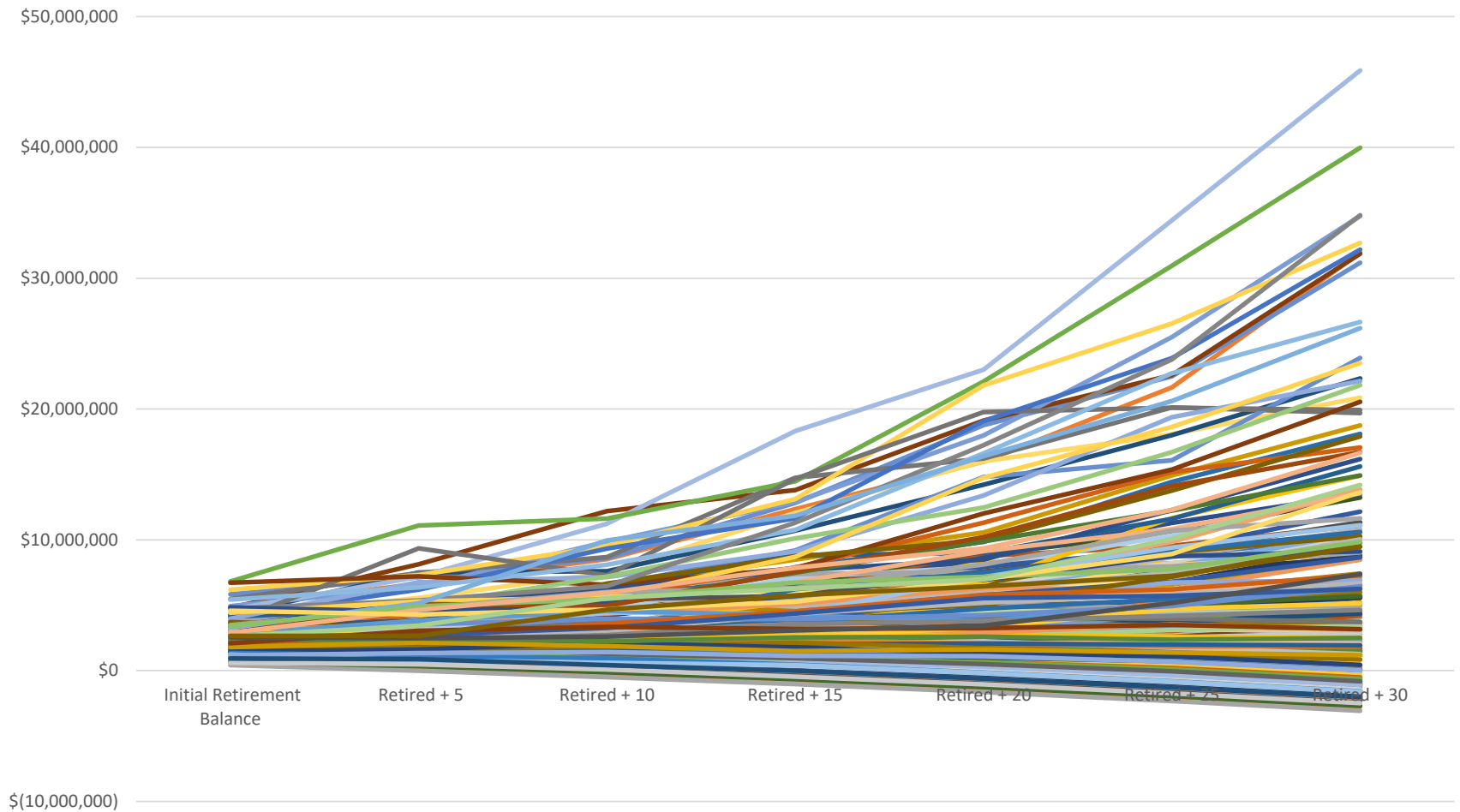
	Active, No SBS	Active with SBS	Retired, No SBS	Retired with SBS
<b>PERS</b>	11,397	11,208	20	8
<b>Police/Fire</b>	469/336	1,073/147	0/0	0/0
<b>TRS</b>	5,962	0	9	0

Updated Data (as of September 1, 2022)

	Active, No SBS	Active with SBS	Retired, No SBS	Retired with SBS
<b>PERS</b>	11,849	10,954	166	1
<b>Police/Fire</b>	568/455	1,318/163	4/0	0/0
<b>TRS</b>	5,916	0	50	0

# Illustration of Simulated Outcomes

## Example: 250 Trial Runs



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# Probability of Success

	<b>PERS</b>	<b>Police/Fire</b>	<b>TRS</b>
30-Year Career, No SBS	22%	22%	31%
30-Year Career, No SBS, With 6.13% Deferred Comp.	48%	48%	56%
30-Year Career, With SBS	69%	69%	*
30-Year Career, With SBS, With 6.13% Deferred Comp.	83%	83%	*
25-Year Career, No SBS	6%	6%	10%
25-Year Career, No SBS, With 6.13% Deferred Comp.	22%	22%	28%
25-Year Career, With SBS	43%	43%	*
25-Year Career, With SBS, With 6.13% Deferred Comp.	61%	61%	*

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# Appendix



# Callan 2019 Return and Risk Assumptions

## Summary of Callan's Long-Term Capital Market Projections

2019-2028					Equilibrium		Change from 10-year to Equilibrium	
					LT		Annualized Return	Standard Deviation
Asset Class	Index	1-Year Arithmetic	10-Year Annualized Return	Standard Deviation	Annualized Return	Standard Deviation		
Equities								
Broad Domestic Equity	Russell 3000	8.50%	7.15%	17.95%	8.50%	17.95%	1.35%	0.00%
Large Cap	S&P 500	8.25%	7.00%	17.10%	8.25%	17.10%	1.25%	0.00%
Small/Mid Cap	Russell 2500	9.55%	7.25%	22.65%	9.05%	22.65%	1.80%	0.00%
Global ex-US Equity	MSCI ACWI ex USA	9.20%	7.25%	21.10%	8.75%	21.10%	1.50%	0.00%
International Equity	MSCI World ex USA	8.70%	7.00%	19.75%	8.25%	19.75%	1.25%	0.00%
Emerging Markets Equity	MSCI Emerging Markets	10.70%	7.25%	27.45%	9.50%	27.45%	2.25%	0.00%
Fixed Income								
Short Duration	Bloomberg Barclays 1-3 Yr G/C	3.40%	3.40%	2.10%	3.80%	2.10%	0.40%	0.00%
Domestic Fixed	Bloomberg Barclays Aggregate	3.75%	3.75%	3.75%	5.00%	3.75%	1.25%	0.00%
Long Duration	Bloomberg Barclays Long G/C	4.25%	3.75%	10.65%	5.65%	10.65%	1.90%	0.00%
TIPS	Bloomberg Barclays TIPS	3.80%	3.75%	5.05%	4.75%	5.05%	1.00%	0.00%
High Yield	Bloomberg Barclays High Yield	5.75%	5.35%	10.35%	6.50%	10.35%	1.15%	0.00%
Non-US Fixed	Bloomberg Barclays Gbl Agg xUSD	1.80%	1.40%	9.20%	4.25%	9.20%	2.85%	0.00%
Emerging Market Debt	EMBI Global Diversified	5.40%	5.05%	9.50%	6.25%	9.50%	1.20%	0.00%
Other								
Real Estate	NCREIF ODCE	7.30%	6.25%	15.70%	7.00%	15.70%	0.75%	0.00%
Private Equity	Cambridge Private Equity	12.40%	8.50%	29.30%	10.00%	29.30%	1.50%	0.00%
Hedge Funds	Callan Hedge FoF Database	5.75%	5.50%	8.85%	6.10%	8.85%	0.60%	0.00%
Commodities	Bloomberg Commodity	4.75%	3.20%	18.00%	3.75%	18.00%	0.55%	0.00%
Cash Equivalents	90-Day T-Bill	2.50%	2.50%	0.90%	3.25%	0.90%	0.75%	0.00%
Inflation	CPI-U		2.25%	1.50%	2.25%	1.50%	0.00%	0.00%

\* Geometric returns are derived from arithmetic returns and the associated risk (standard deviation).

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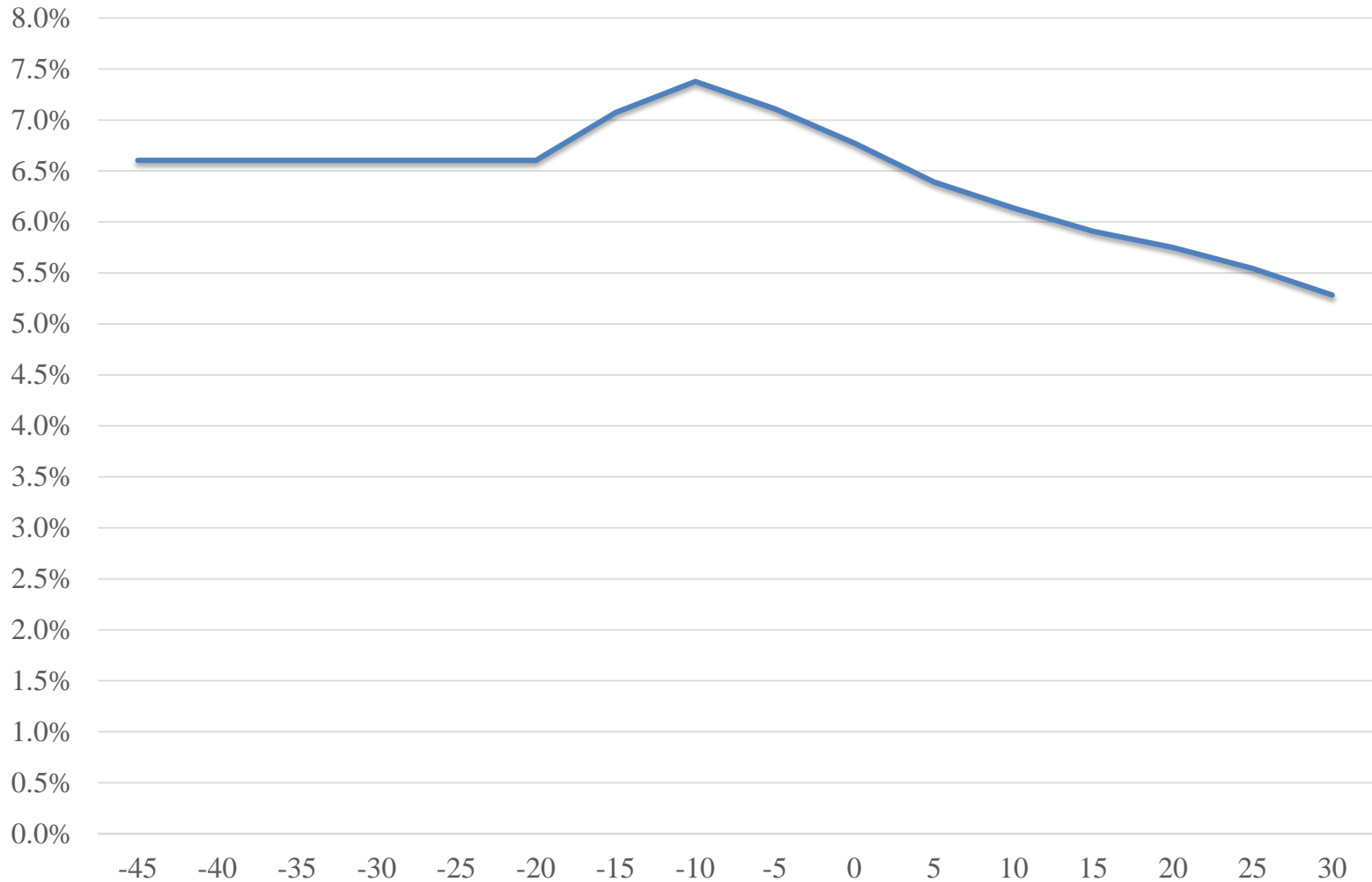
# Target Date Fund Glide Path

<b>Years Before/After Retirement</b>	<b>US Equity</b>	<b>Non-US Equity</b>	<b>Fixed Income</b>	<b>Cash &amp; Cash Equivalents</b>
-45	63%	27%	10%	0%
-40	63%	27%	10%	0%
-35	63%	27%	10%	0%
-30	63%	27%	10%	0%
-25	63%	27%	10%	0%
-20	60%	26%	15%	0%
-15	55%	24%	20%	1%
-10	50%	22%	25%	3%
-5	45%	19%	30%	6%
0	39%	17%	35%	10%
5	32%	14%	39%	15%
10	28%	12%	43%	18%
15	25%	11%	45%	20%
20	22%	9%	49%	20%
25	18%	8%	54%	20%
30	14%	6%	60%	20%

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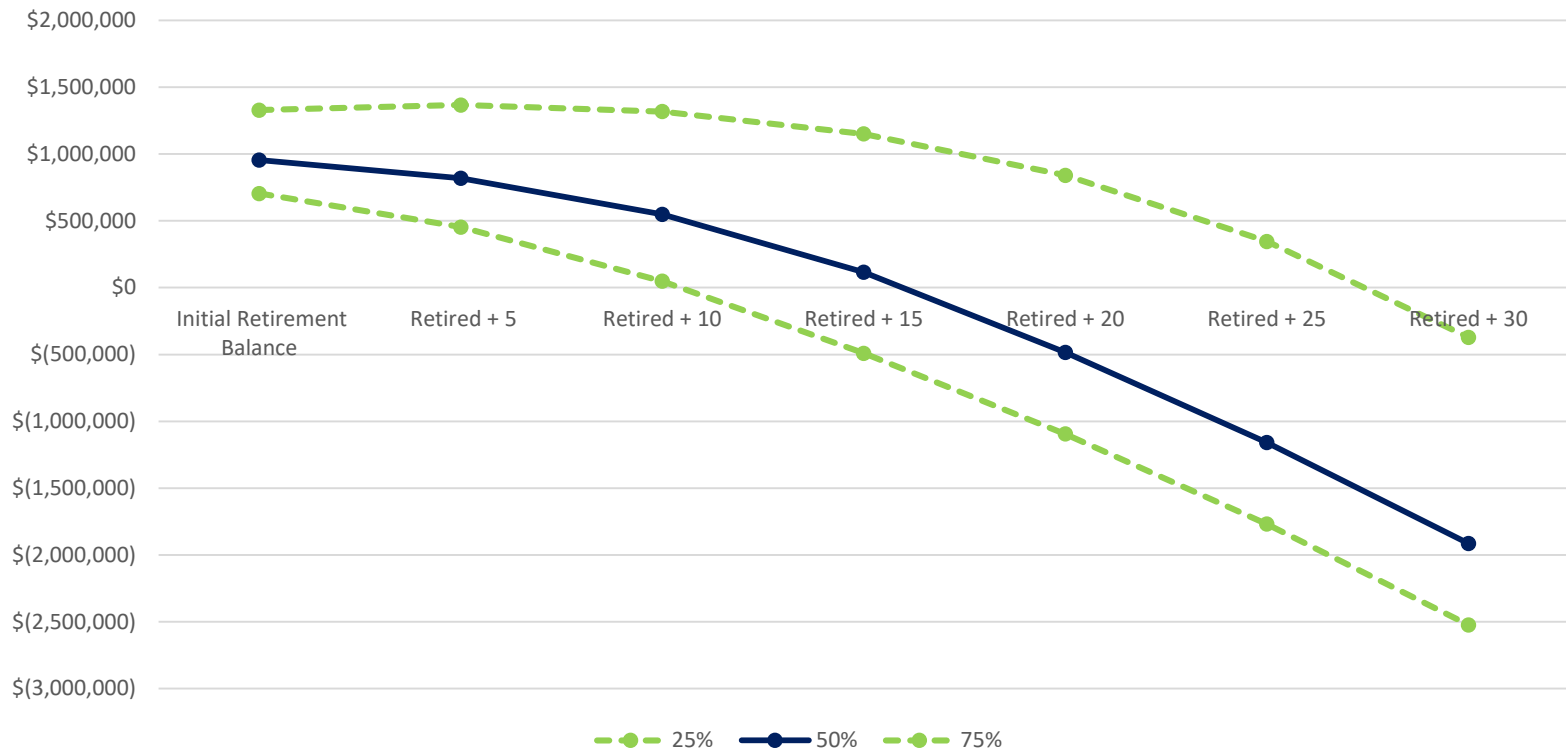
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# Target Date Fund Expected Return



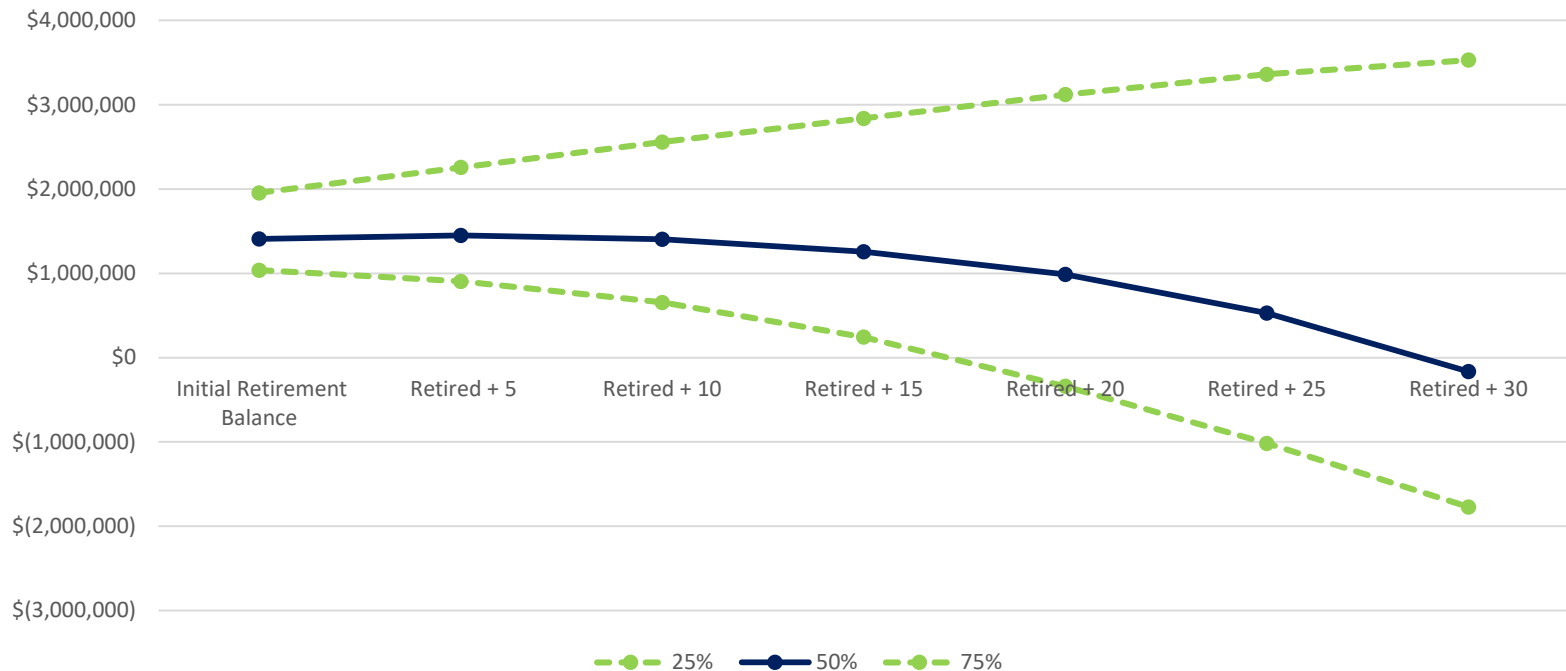
# Results

## 30-Year PERS w/o SBS



# Results

## 30-Year PERS w/o SBS + 6.13% Deferred Compensation



# Results

## 30-Year PERS + SBS



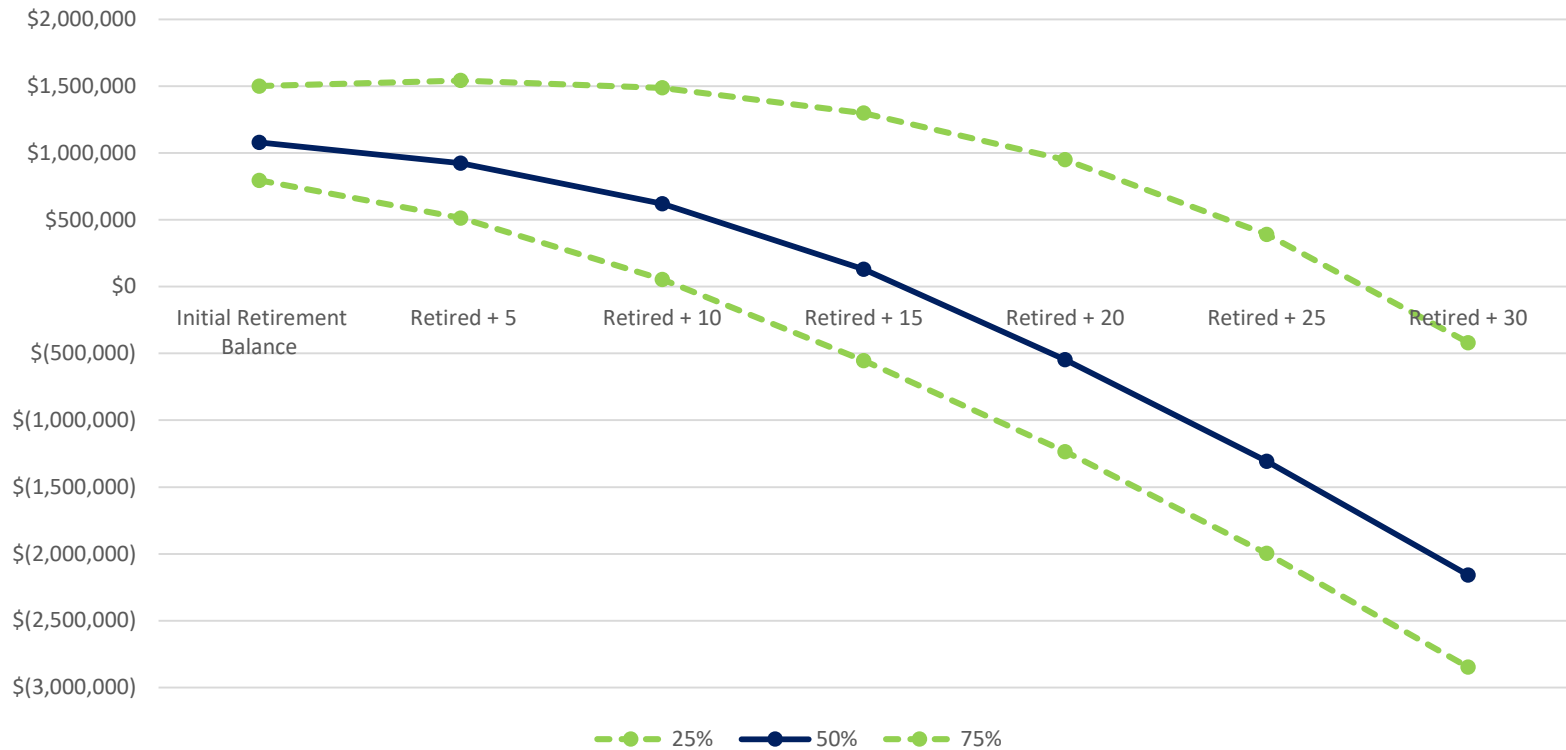
# Results

## 30-Year PERS + SBS + 6.13% Deferred Compensation



# Results

## 30-Year Police/Fire w/o SBS





# Results

## 30-Year Police/Fire w/o SBS + 6.13% Deferred Compensation



# Results

## 30-Year Police/Fire + SBS



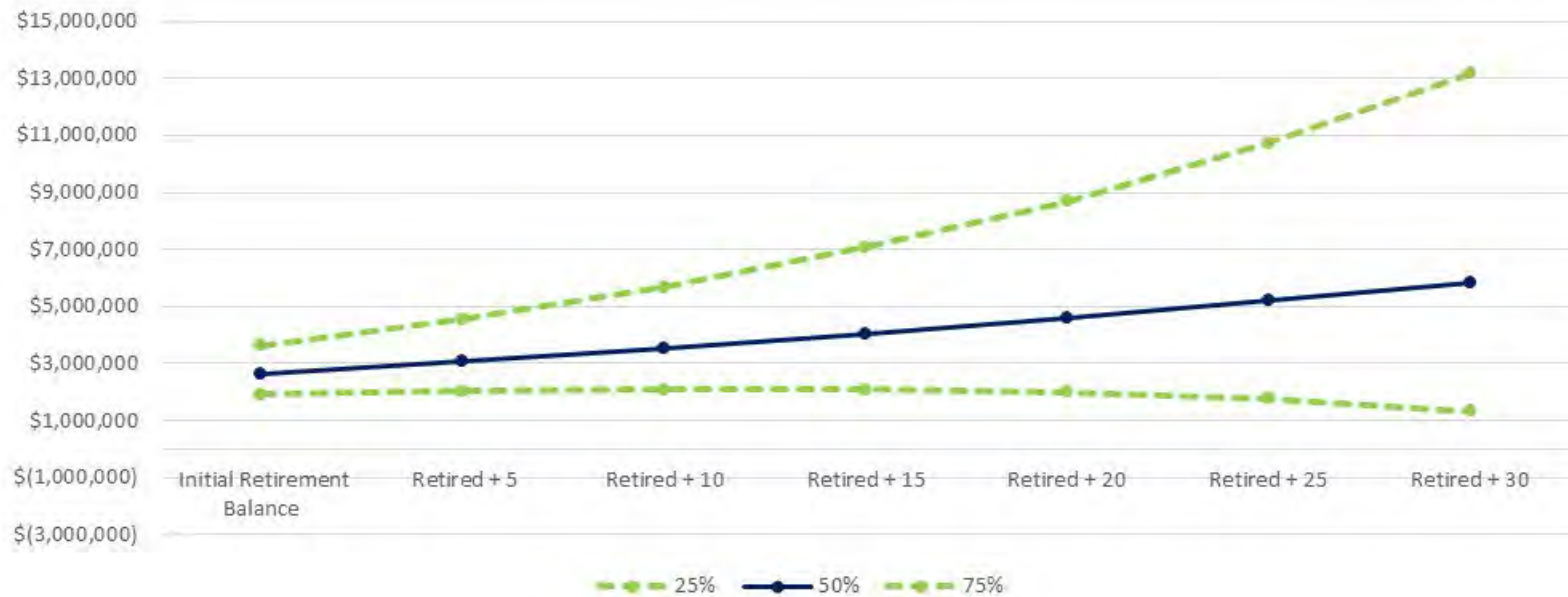
# Results

## 30-Year Police/Fire + SBS + 6.13% Deferred Compensation



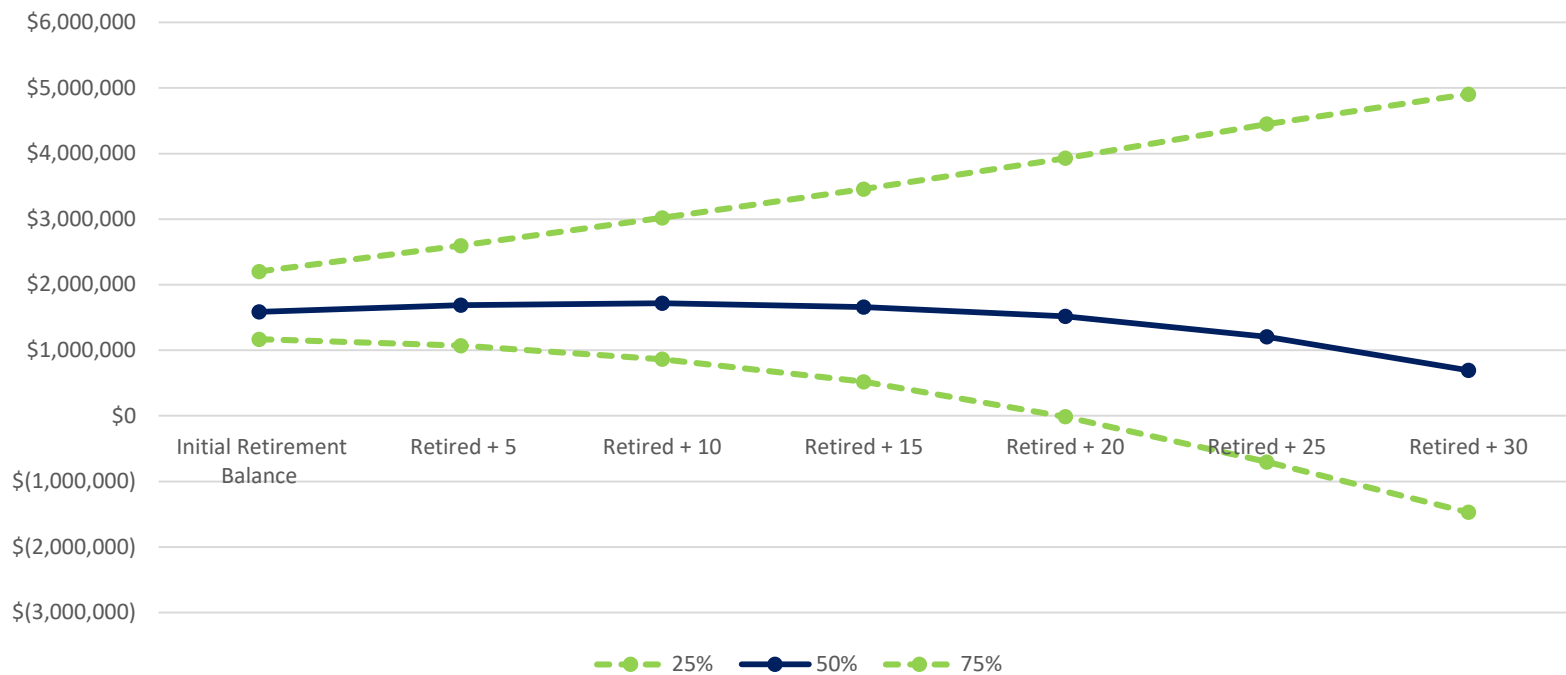
# Results

## 30-Year Police/Fire + SBS + 6.13% Deferred Compensation



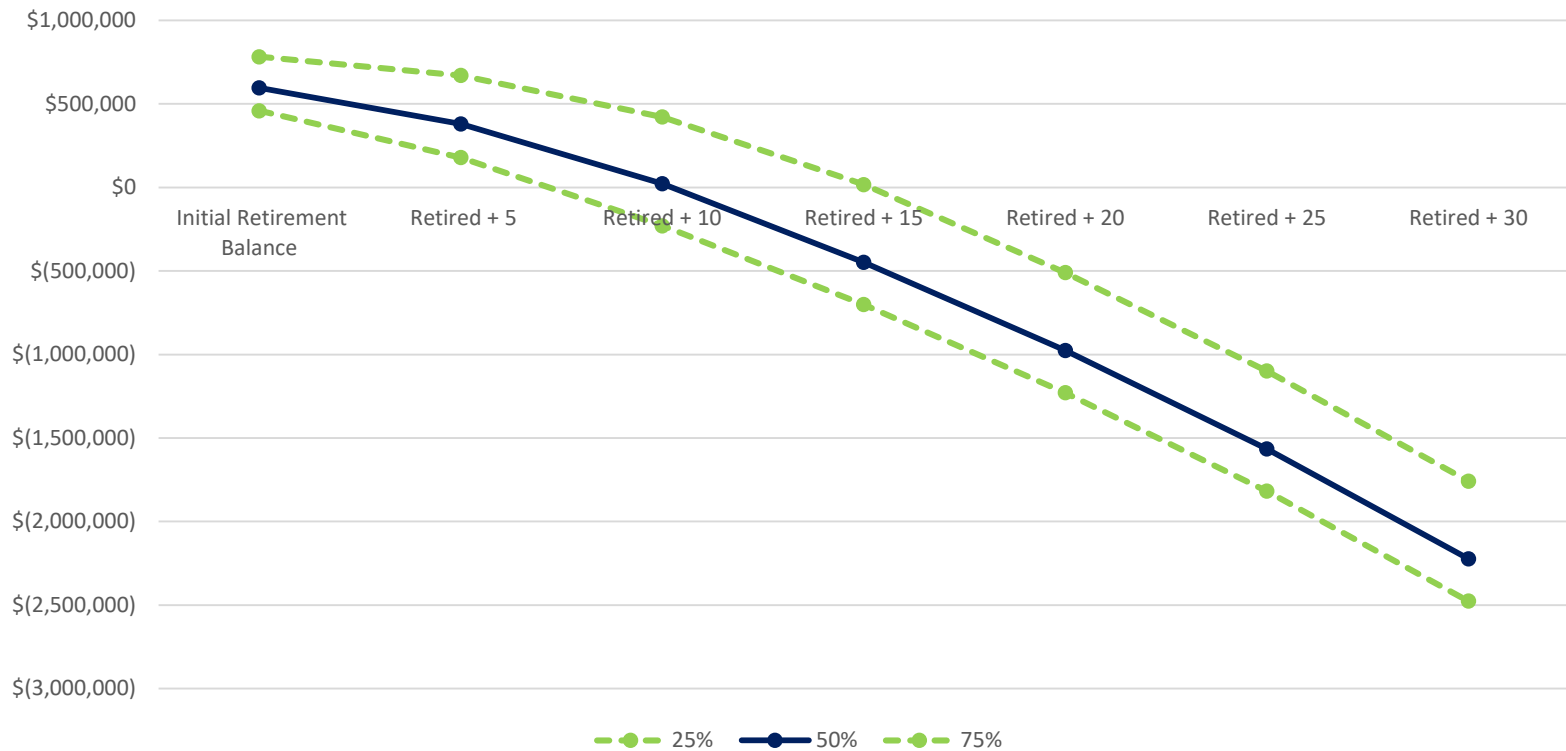
# Results

## 30-Year TRS w/o SBS + 6.13% Deferred Compensation



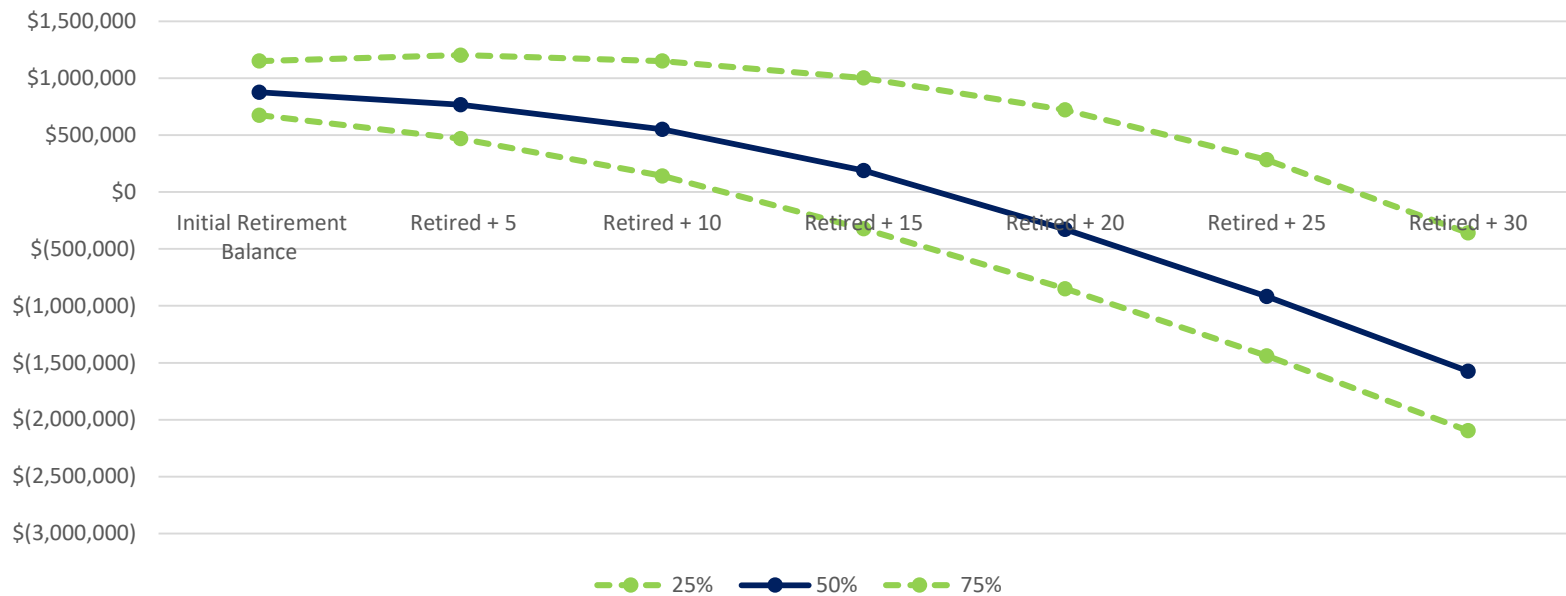
# Results

## 25-Year PERS w/o SBS



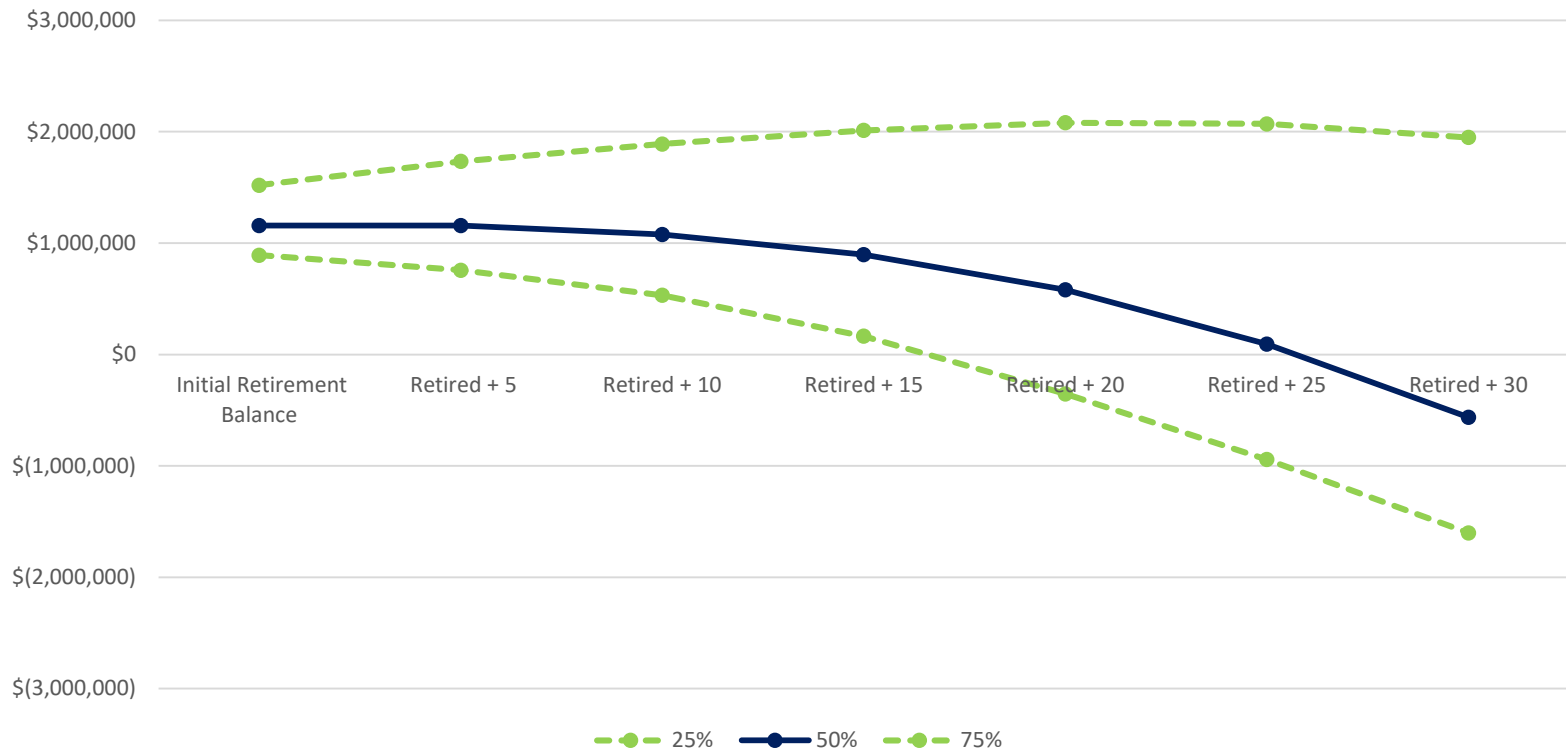
# Results

## 25-Year PERS w/o SBS + 6.13% Deferred Compensation



# Results

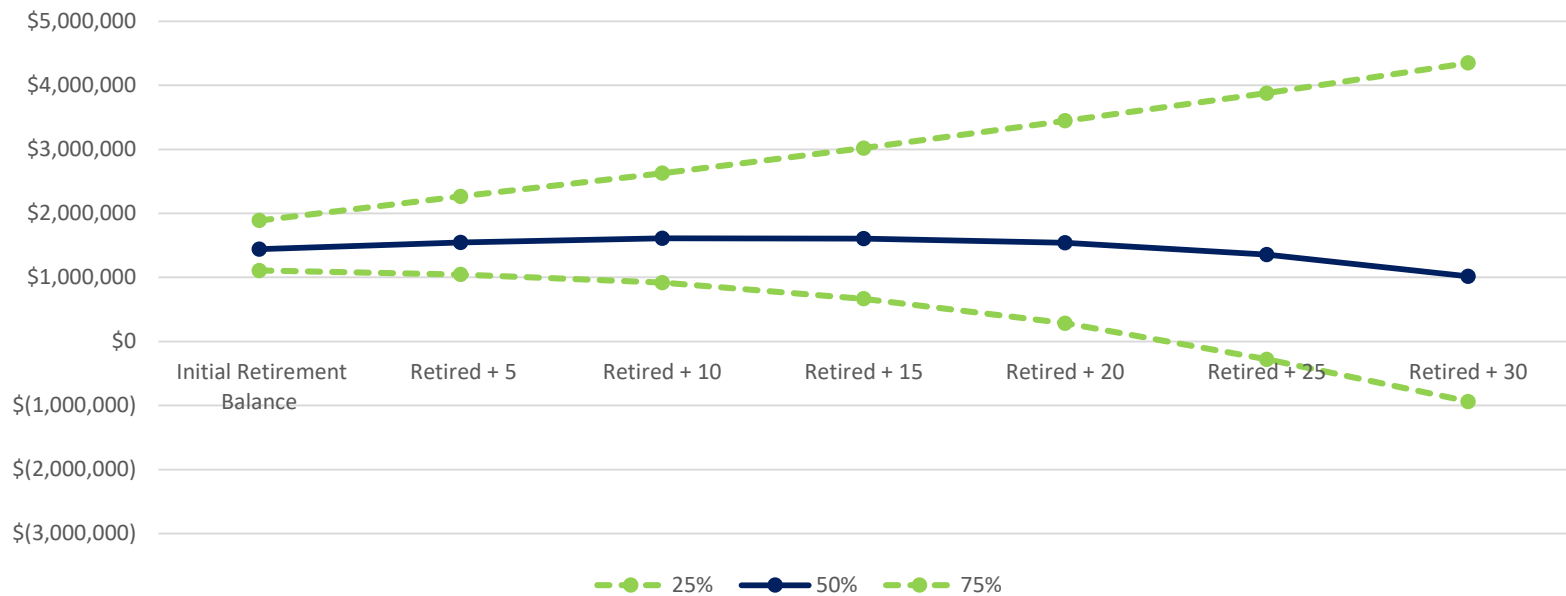
## 25-Year PERS + SBS





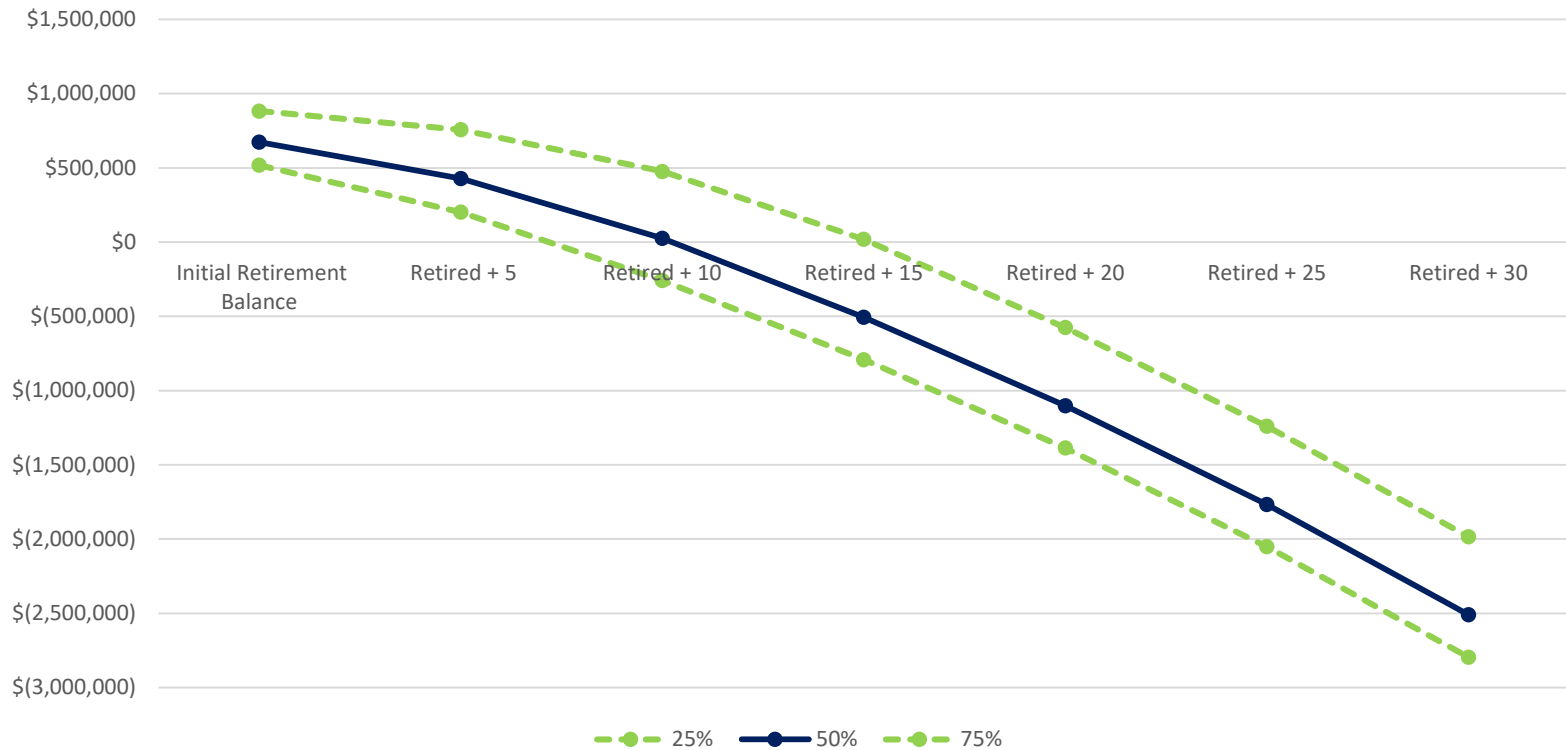
# Results

## 25-Year PERS + SBS + 6.13% Deferred Compensation



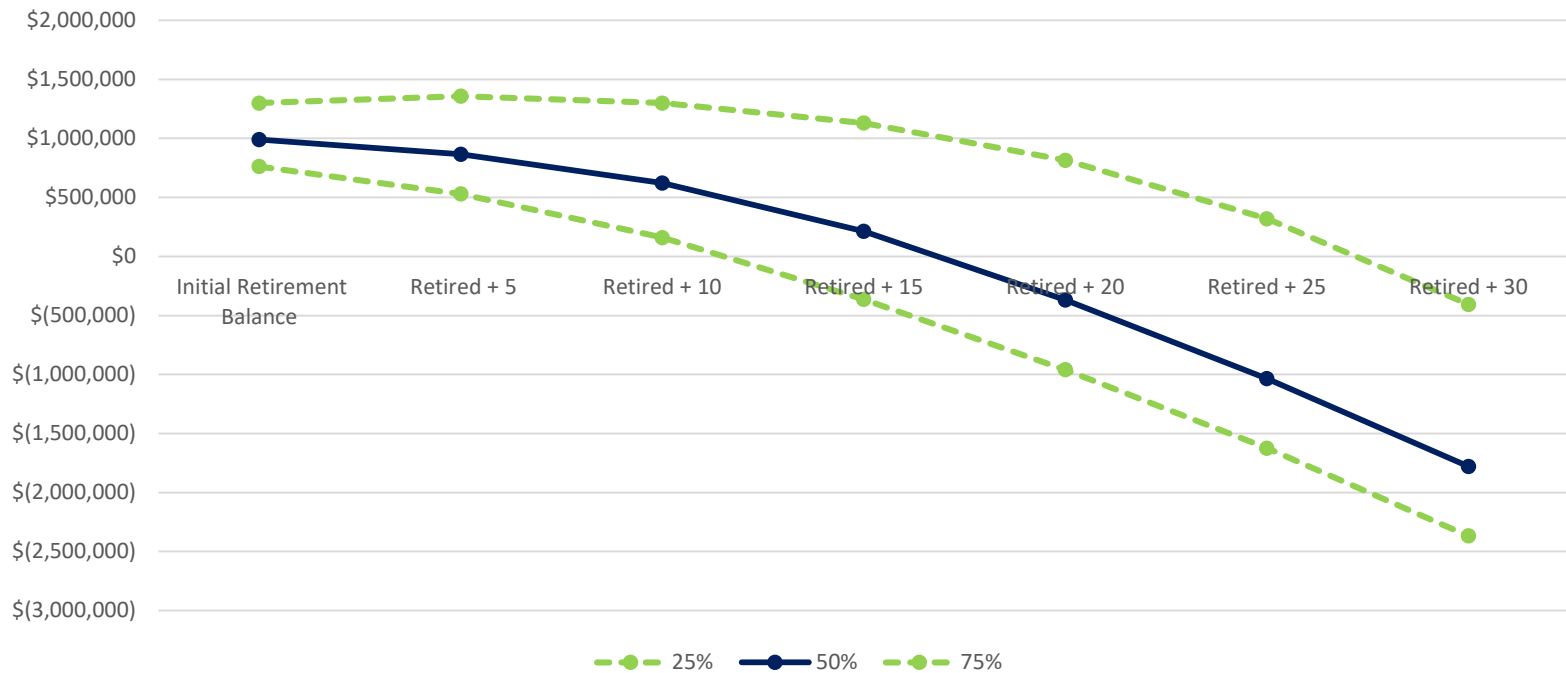
# Results

## 25-Year Police/Fire w/o SBS



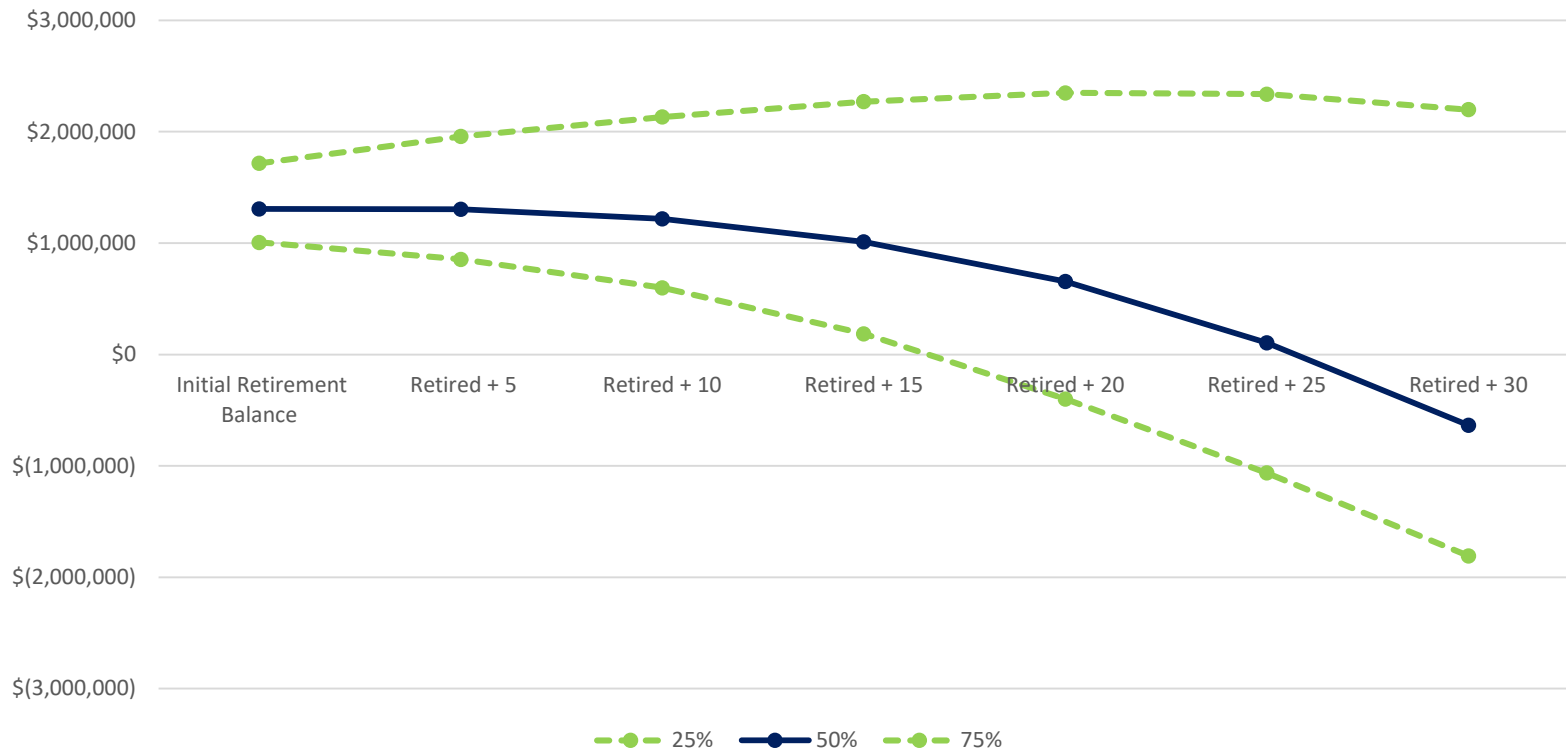
# Results

## 25-Year Police/Fire w/o SBS + 6.13% Deferred Compensation



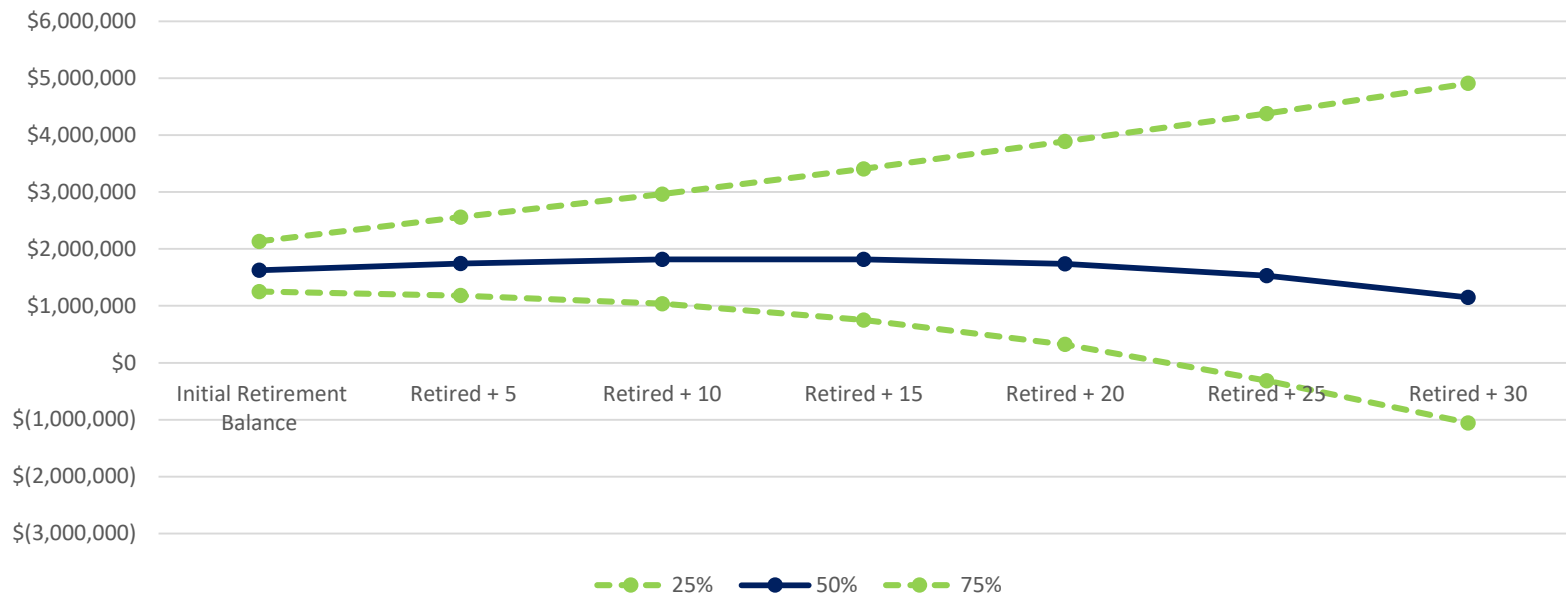
# Results

## 25-Year Police/Fire + SBS



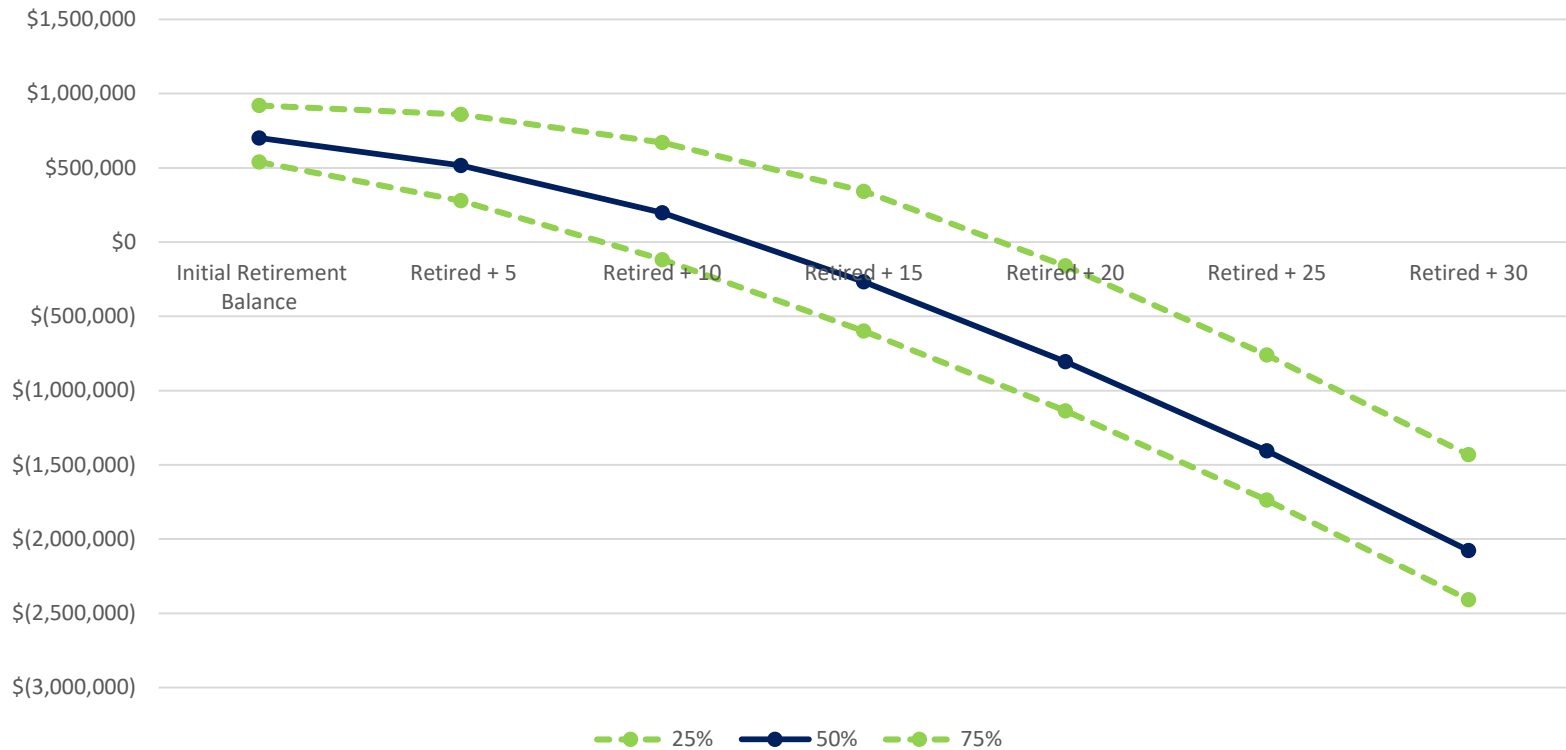
# Results

## 25-Year Police/Fire+ SBS + 6.13% Deferred Compensation



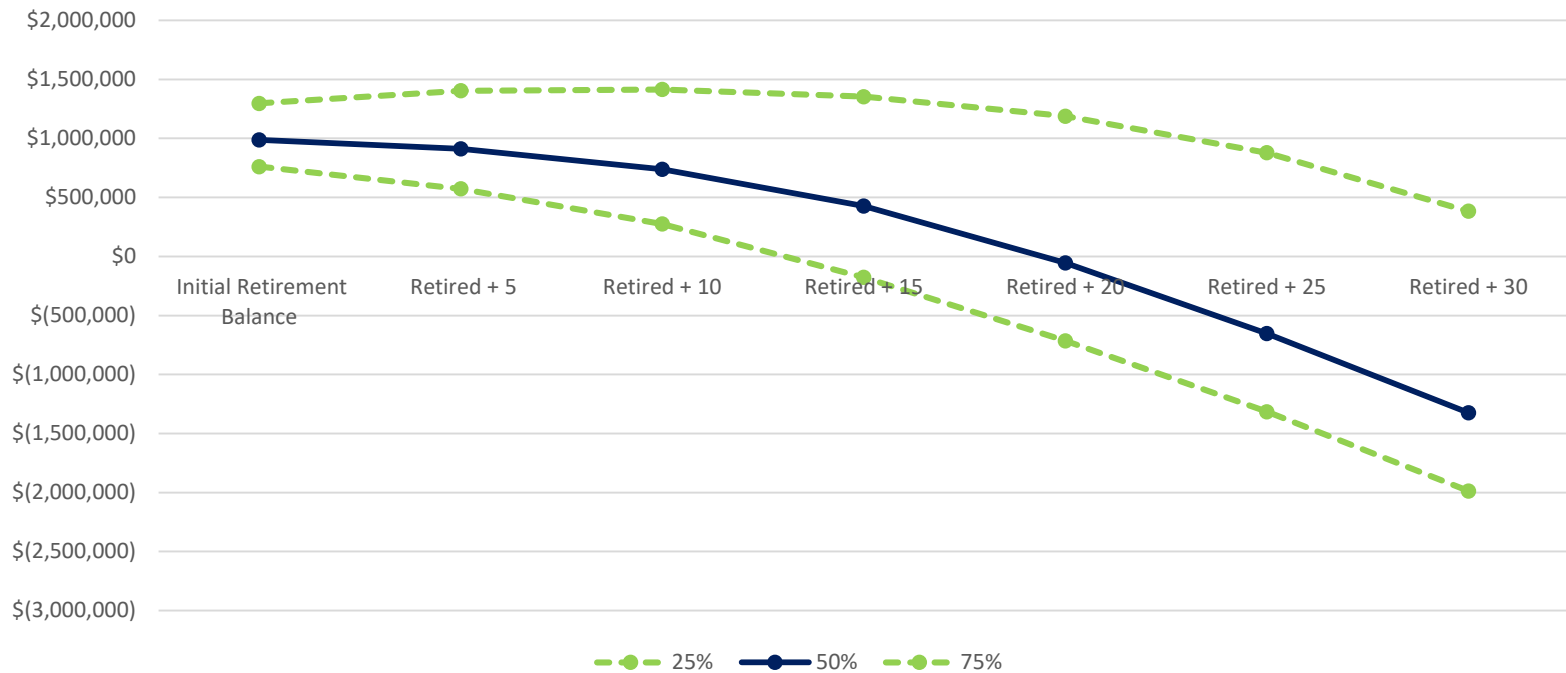
# Results

## 25-Year TRS w/o SBS



# Results

## 25-Year TRS w/o SBS + 6.13% Deferred Compensation



**MEMORANDUM**

**TO: Ben Hofmeister, Assistant Attorney General**  
**Alaska Department of Law**

**FROM: Robert L. Gauss**  
**Ice Miller LLP**

**DATE: August 25, 2022**

**RE: Considerations related to Supplementing Benefits for Certain TRS**  
**Employees**

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Please allow this Memorandum to follow-up on certain questions raised by the Alaska Retirement Management Board ("ARMB") regarding potential federal tax considerations related to the possible supplementation of retirement benefits for certain TRS employees. In particular, this Memorandum addresses specific considerations related to supplementing the retirement benefits for TRS employees who are participants in the State's Defined Contribution Retirement Plan ("DCR").

**I. BACKGROUND**

By way of background, TRS employees hired after June 30, 2006 participate in DCR and pay on a picked-up (pre-tax) basis mandatory employee contributions in the amount of 8% of compensation. The State also offers the Alaska Supplemental Annuity Plan ("SBS-AP") which is a defined contribution plan in accordance with Internal Revenue Code ("Code") § 401(a). SBS-AP is a supplemental plan for which the ARMB is the fiduciary and is responsible for selecting investment funds and managers. Employees of the State of Alaska and twenty-three (23) political subdivisions that have elected to be in the plan are eligible to participate in SBS-AP. An individual's employment status determines whether they are required to contribute to the plan. Eligible employees are automatically enrolled in the SBS-AP plan as of their date of hiring and the mandatory picked-up employee contributions are 6.13% of the participant's compensation. SBS-AP is not available to employees covered by TRS.

Accordingly, especially for TRS members who only are covered by DCR, ARMB has asked whether providing SBS-AP, or some other supplemental benefit to TRS' DCR employees, is possible and, if so, what federal tax implications should be considered.



## **II. SHORT ANSWER**

It is possible to provide supplemental benefits to TRS employees participating in DCR. However, in order to avoid an impermissible cash or deferred arrangement ("CODA") there are limitations on whether an employee may be allowed an option as to whether they participate in the supplemental benefit. Another possibility would involve using a hybrid plan design.

## **III. DISCUSSION**

As we have previously discussed, it is the IRS' position that if a current employee is being given the election to choose between two plans, between tiers within the same plan, or between different amounts of picked-up (pre-tax) employee contributions, then the election constitutes an impermissible CODA.

By way of background, Treas. Reg. § 1.401(k)-1(a)(3) defines a "cash or deferred election" (also referred to as a "cash or deferred arrangement" or "CODA") and provides for an exception for one-time, irrevocable elections. As a matter of federal law, a qualified, governmental plan may allow a one-time, irrevocable election for pre-tax employee contributions by members, **but that election must be made upon first becoming eligible under the plan or any plan of the employer** (often, this is at the commencement of employment but could be after the expiration of a waiting period). After that one-time irrevocable election (or after the first eligibility under the plan has passed), the employee is not permitted to modify the pick-up election or have a new election opportunity. **Importantly, the 401(k) regulations, effective in 2006, changed the wording with respect to one-time irrevocable elections from elections made at various times during a career (e.g., when eligible for a different plan) to elections made upon first eligibility for any retirement plan (as noted above).**

The most critical shift in "formal" guidance on picked-up contributions is found in Rev. Rul. 2006-43, which sets forth the current requirements for a valid pick-up, and the IRS' current ruling position. Under Rev. Rul. 2006-43, mandatory employee contributions to a governmental retirement plan can be picked-up and treated as pre-tax contributions only if:

- (1) the employer takes formal action to provide for the pick-up (or if state or local law or the plan requires the pick-up), **and**
- (2) the employee has no election with respect to the amount or duration of the contribution after the employee's initial employment.

Rev. Rul. 2006-43 allows one exception – an election with respect to picked-up contributions **if** that election is made when the employee **is first eligible under any plan of the employer.**

Thus, the IRS and U.S. Department of Treasury ("Treasury") still agree that a one-time irrevocable election at the time the employee is first eligible under any retirement plan of the employer is permissible. Consequently, their change in policy involves elections by existing employees/former employees with respect to pre-tax contributions. **Please note that the IRS and Treasury have not raised concerns with regard to elections involving post-tax employee contributions by any employees, whether new or existing.**

IRS Announcement 94-101 discussed the one-time irrevocable election exception under Treas. Reg. 1.401(k)-1(a)(3)(v) as follows:

Although any choice between cash and a deferral is technically a CODA, the regulations, at Section 1.401(k)-1(a)(3)(v), provide an exception. **A one-time irrevocable election by the employee, when first hired or first eligible for any plan of the employer, is deemed not to be a choice between cash and a deferral. Once such an election is made, it cannot be changed.** Thus, if an employer terminated a money purchase pension plan and replaced it with a different money purchase pension plan, an employee who elected to receive a 5% contribution under the old plan may only receive a 5% contribution from the new plan. In addition, a change in status, such as from associate to partner or union employee to supervisor does NOT give rise to another one-time irrevocable election. **Once an employee has participated in ANY plan of the employer, the one-time election is unavailable.**

(Emphasis added).

Additionally, the current regulations under Code § 402(g)(3) state that an employer contribution is not an elective deferral if the contribution is made pursuant to a one-time irrevocable election made at the initial eligibility to participate in any retirement plan of the employer. The regulations under Code § 402(g)(3) define elective deferral to have the same meaning as under the § 401(k) regulations. Treas. Reg. § 1.401(k)-1(a)(3)(iv) provides that a one-time irrevocable election is not an elective deferral if it was made no later than the employee's first becoming eligible under **the plan or any other 401(a) or 403(b) plan of the employer**. "Employer" for this purpose means the employer and all related employers under Code §§ 414(b), (c) or (m).

**Thus, participants who have irrevocably elected to (or not to) participate in one retirement plan offered by the employer (to include a supplemental benefit) cannot at a later time elect to participate instead in another plan sponsored by the employer or a related employer without violating the previous one-time irrevocable election exemption.** Moreover, participants must make their one-time irrevocable election at the time they first become eligible under *any retirement plan* sponsored by that employer. To the extent that an employee would have a choice as to whether to participate in SBS-AP or another supplemental benefit which includes a 401(a) plan, then that choice can only be offered at the time they first become eligible under *any retirement plan* sponsored by that employer. **Note: this section assumes that plans would have different employee contribution requirements. As noted above, if the employee contributions were always the same (both in amount and in tax status (pre or post tax)), regardless of the plan selected, the election would not compromise the pick-up character of these contributions.**

#### **IV. MOST RECENT IRS RULINGS**

In recent years, the IRS has published several PLRs to further expand the rules regarding elections by current employees. These new rulings give practical examples of the IRS and

Treasury views of employee choice, and application of the above-described statutes and regulations. PLRs are binding only on the entities they were issued to, but can be very helpful in seeing the IRS's application of the regulations:

- PLR 201540014 outlines appropriate pick-up mechanics in a situation where there is no employee choice, but which would also apply if a choice exists.
- PLR 201532036 describes an employee choice process with different amounts of employee contributions depending on the employee's election. The conclusion is that to offer employees who are already participating in one plan an election to stay in that plan or go to another plan would be an impermissible cash or deferred arrangement. This ruling may speak precisely to the current choice.
- PLR 201529009 demonstrates one acceptable way to structure an election – make pre-tax employee contributions the same regardless of what plan is elected. **If the employee pre-tax contributions are always the same regardless of what coverage the employee selects, there is no election problem.**
- PLR 201443035 reviews irrevocable elections and what constitutes an acceptable one-time irrevocable election in terms of timing. The IRS views this very narrowly – **the election must occur only before the employee is covered in any retirement type plan of the employer.**
- The rulings also stress that these limitations only apply if the employee contributions are **pre-tax.** **If the employee contributions are always post-tax, there is no election problem.**
- PLR 201720009 more recently confirmed the rulings in PLR 201529009 that an election for a current employee between 2 plans in which the employee's rate of contribution is the same regardless of which plan the employee selects will not constitute a cash or deferred election.

In summary, at this point the IRS provides very limited exceptions for an employee election that would not constitute a CODA. The allowable employee contribution change exceptions are as follows:

- ***Employer Mandate*** – the employer mandates a contribution rate change across all members under a plan (e.g., all employees are mandatorily moved to a new tier or new plan with a different contribution rate, with no employee choice).
- ***Level Contribution*** – the employee contribution rate is the same across all applicable plans subject to the choice.
- ***Post-Tax Contribution*** – the lowest pre-tax employee contribution rate in a set of plans subject to an election is treated as picked-up (pre-tax), and any incremental rate among that set of plans is treated as post-tax employee contributions.

These rules also apply to plan design involving a 401(a) plan if voluntary employee participation is a feature.

## **V. HYBRID PLAN DESIGN**

Over the past 10-15 years, a number of states have adopted a hybrid plan design in which part of the employee's benefit is a matching employer contribution based upon the amount of an employee's voluntary deferrals to the state's deferred compensation plan (whether a grandfathered 401(k) or a 457(b) plan). For instance, a common design feature in these plans is that a defined contribution (401(a)) plan is utilized for mandatory employee contributions and for employer contributions. Under this approach, the mandatory employee contributions are picked-up (pre-tax). Then, to the extent that the employee makes voluntary deferrals to a separate deferred compensation plan, the employer/state makes additional matching contributions to the defined contribution plan. For instance, the State of Oklahoma adopted its Pathfinder plan for eligible employees whose date of hire was on or after November 1, 2015 ([see www.opers.ok.gov/pathfinder/](http://www.opers.ok.gov/pathfinder/)). Similarly, the State of Tennessee adopted its hybrid plan for employees hired on or after July 1, 2014 (*see* T.C.A. § 8-36-901, *et seq.*). Both plans include an employer matching contribution as part of their design.

## **VI. SPECIFIC QUESTIONS POSED**

1. Are there different tax consequences if access to an SBS is expanded, if a plan similar to SBS is implemented or if there was an increase of the DC pension contributions for DCR members that don't have access to SBS?

**IM Response:** Certainly, so long as there is not a state law (*i.e.* vested rights) concern, it is allowable to increase mandatory employer and/or employee contributions to DCR. Undoubtedly, this approach comes with its own recruiting, retention and cost considerations. It also is permissible to include a supplemental (or SBS-AP type) benefit, so long as any voluntary participation for employees does not create an impermissible CODA. Also, a hybrid approach which utilizes employer matching contributions has been preferred by some states because it allows an employee to have some optional control over their level of participation. Regardless of approach (supplemental benefit vs. hybrid design), there will be IRS limits which will need to be part of the design considerations.

2. Considering that the system has contributions for members ranging from 13% to 25.26% of their income (depending on plan participation and aggregate of employee and employer contributions) why would there be negative tax consequences with the IRS for any efforts to strengthen the overall financial security of these members that are most at risk?

**IM Response:** Other than addressing the potential for an impermissible CODA, there should not be any negative tax consequences with trying to enhance an employee's retirement savings or benefits. Certainly, though, as discussed in response to question #1, there will be IRS limits which need to be considered depending on the plan design.

## **VII. CONCLUSION**

We hope this information is helpful to the ARMB in its consideration. Of course, we welcome any additional questions from ARMB to assist in its discussions.

# Legal Review TRS DCR/SBS Discussion

**Alaska Retirement Management Board  
Defined Contribution Plan Committee Meeting  
September 14, 2022**

# Issue Presented

What are the legal barriers to utilizing existing statutory mechanisms to increase retiree savings rates?



Specifically, SBS



Primarily, TRS employees in Defined Contribution Plan

# ARMB Mission

## AS 37.10.210(a)

“The board’s primary mission is to serve as the trustee of the assets of the state’s retirement systems, [Supplemental Annuity Plan], [State deferred compensation program for state employees], and [the retiree health care trusts].”



# ARMB – DCR Plan

## AS 39.35.800(a)/AS 14.25.400(a): DCR Plans

“The board shall provide a range of investment options and permit a participant to exercise investment control over the participant’s assets in the member’s individual account...”

\* Fiduciary Duty: *Hughes v. Northwestern Uni.*

# ARMB Fiduciary Obligation

## AS 37.10.210(a)

**“...the board has the fiduciary obligation to manage and invest these assets in a manner that is sufficient to meet the liabilities and pension obligations of the systems, plan, program, and trusts.”**

**ARMB manages the funds put into the system**

**-it does not manage the savings rates for beneficiaries**

# *Legislation*

# *Involuntary* *Voluntary*

# *Involuntary*

No choice by employer or employee to contribute

## Diminishment Clause/Hoffbeck

“...the right to benefits vests when the employee enrolls in the retirement system, rather than when the employee is eligible to receive benefits.”

Due to certain tax and constitutional concerns, this would likely require a new tier, applied prospectively

# *Voluntary*

Using existing statutory mechanisms

1. SBS (employer choice)
2. Deferred Compensation (employer/employee choice)
3. Hybrid (employer/employee choice)

**NOTE:** *Legislation Required*



# What is SBS?

**AS 39.30 – “Insurance and Supplemental Employee Benefits”**

**The umbrella of benefits offered under 39.30,  
including group life and health insurance**

**Context of this discussion:  
Supplemental Annuity Plan (pre-tax)**

# Supplemental Annuity Plan

## AS 39.30.150(a)

“In place of contributions to the federal social security system...the participating employer shall contribute an amount equal to 6.13 percent of wages up to the taxable wage base then in effect in the social security system. This contribution shall be paid into an individual employee annuity account...under the terms of the State of Alaska Supplemental Annuity Plan. The department shall pay 6.13 percent of wages of the employee up to the taxable wage base then in effect in the social security system into the individual employee annuity account...”



# Supplemental Annuity Plan

AS 39.30.170(a)

“An employer may become a participating employer...if”:

1. Employer participates in PERS;  
AND
2. Employer is eligible, but has never become a member in Social Security OR withdraws from Social Security

# Supplemental Annuity Plan

**History**



**TRS/Social Security/Never Elected**



**PERS/Social Security/Elected/Withdrew**



**Qualified Social Security Replacement**

# Supplemental Annuity Plan

1. SAP under SBS is not voluntary for individual PERS employees
2. Choice to participate must be made by employer – subject to AS 39.30.170
2. Once choice is made – it is mandatory (shall)
3. Constitutional and tax considerations for opening SAP or SAP style option to TRS employees

# Supplemental Annuity Plan

- A. *Legislation* required to allow for TRS employers
- B. Employers would need to opt into SAP
- C. DCR is a Qualified Social Security Replacement
- D. Impact on the retiree savings rate

# Deferred Compensation

AS 39.45

Addresses overall savings rate issue

“The state or a political subdivision of the state, by contract, agree to defer, in whole or in part, that employee’s salary or wages.” AS 39.45.010

457 Plan (after-tax) – current cap is \$20,500

No legal prohibition, can utilize state plan or individual employer plan



# Deferred Compensation

1. **Choice to participate must be made by employer**
2. **Deferred compensation is entirely voluntary for employees, if available**
3. **Deferred Compensation is open to all employers in PERS and TRS under AS 39.45**
4. **Employers can choose to operate their own Deferred Compensation Plan**

# Deferred Compensation

- A. *Legislation* is not required to allow for TRS employers
- B. Employers would need to opt into Deferred Compensation or create their own plan
- C. Only involves employee funds
- D. Impact on the retiree savings rate

# Hybrid Approach

**Defined Contribution Plan**



**Deferred Compensation Plan**



**Match into DC plan up to a percentage for  
contributions made into Deferred Compensation**



# Hybrid Approach

- A. *Legislation* is required for all categories of employees
- B. Would need to set a matching amount
- C. Employees would need to utilize Deferred Compensation
- D. Impact on the retiree savings rate

# QUESTIONS



# State of Alaska

## Defined Contribution Plan Committee Meeting

# Quality



# Service quality

## Customer Care Center

We strive for participant satisfaction and speed to service with every call. On average, participants have rated their overall call satisfaction at a 4.3 out of a possible 5.

**Recordkeeping administration**

For the fourth year in a row, we’ve processed transactions with 99.99% accuracy, or better, in all processing categories. Just .0016% shy of Six Sigma status, this translates to only 19 errors for every one million participants.

Money out.....	99.99%
Money in.....	99.99%
Participant maintenance.....	99.99%
Resolution (error correction).....	99.99%

## Payroll services

Our payroll setup quality is 99.98% for online enrollment and automatic enrollment, which exceeds our goal of 99.5%. Overall satisfaction with payroll processing is 9.8/10.

**Implementation**

Implementation satisfaction scores across all segments reflecting willingness to recommend Empower are 9.1/10. The average number of days in the quiet period is now 4.3 versus 5.05 in 2021.

**Compliance and plan audit quality**

Our teams have been focused on meeting compliance and audit requests while delivering on quality.

- Large, mega and not-for-profit compliance tests.....99.5%

# Survey results

**Anchorage office:** Net Promoter Score: 74

**Empower Care Center:**

Call Survey Questions Q2 2022	Average Score
Please rate your overall service experience with us today	4.39
Please rate your overall satisfaction with the rep you spoke with	4.47
To what extent do you agree or disagree with the following statement: The company made it easy for me to handle my issue	4.24
Total Surveys Complete: 268	Overall Average Score= 4.37

Call Survey Questions YTD 2022	Average Score
Please rate your overall service experience with us today	4.31
Please rate your overall satisfaction with the rep you spoke with	4.49
To what extent do you agree or disagree with the following statement: The company made it easy for me to handle my issue	4.17
Total Surveys Complete: 797	Overall Average Score= 4.32

# Callback assist

## Overview

Callback assist gives callers the opportunity to receive a callback instead of waiting in queue during periods of high call volume.

## How does it work?

- If the oldest call waiting in queue reaches a predetermined threshold, any caller who comes into the queue will be given the opportunity for a callback.
- The caller maintains their place in line if they elect for a callback.

# Security updates




# Security Center

Our **new Security Center** expands the message and ease of use, bringing everything together in one easy-to-use resource and location.

**Security tips** tell our customers the steps they can take to protect their accounts.

### Security tips



Protecting your identity and ensuring your privacy is an important part of building a secure financial future.

We want to help you defend yourself against cybersecurity threats, phishing, and other types of fraudulent communications and activities — whether they're conducted through email, text, phone, mail or social media.

These tips and best practices can help you stay ahead of cybersecurity threats.

Protect your retirement account(s)

Keep your personal devices safe

Communicate safely

Protect your identity

Be aware of common security threats

Take action if you suspect unusual activity



The **Empower Security Guarantee** tells our customers we value their business and their trust in choosing Empower.

FOR ILLUSTRATIVE PURPOSES ONLY.  
Some features may not be available and are subject to change without notice. RO2050276-0222.

FOR FINANCIAL PROFESSIONAL AND PLAN SPONSOR USE ONLY.

# Security Center

Our new Security Center expands the message to four content boxes and quick links to other frequently used content:

- 1 Empower Security Guarantee
- 2 Security tips
- 3 **NEW** Rotating articles on the latest security topics
- 4 **NEW** How Empower protects you

The Security Center displays on Empower's **corporate, retail and standard participant websites.**

## Empower Security Center

Is your Retirement Empower Secured? Security is a team sport! We are committed to working with you to secure your data, identity and retirement assets, so you can be confident when partnering with Empower. At Empower Retirement, protecting our clients from cybersecurity threats — including theft, fraud and other risks — is among our highest priorities. We constantly invest in technologies that can better secure the assets and information of the plans and participants we serve.

Select how we can help you today:



Phishing

Take me there



Security guarantee

Take me there



Security tips

Take me there



How Empower protects you

Take me there

FOR ILLUSTRATIVE PURPOSES ONLY. Some features may not be available and are subject to change without notice. RO2050276-0222


FOR FINANCIAL PROFESSIONAL AND PLAN SPONSOR USE ONLY.

# Fee transparency update



# Fee flier updates

- Enhanced language to indicate if My Total Retirement (professionally managed accounts) is selected, a fee would apply
- Updated the My Total Retirement fees to reflect annual rates
- Both items updated on all fee documents and plan highlights after June DC Committee meeting



## State of Alaska DEFINED CONTRIBUTION PLANS



Be the Spirit of Alaska

### Fees and Expenses

Empower acts as the recordkeeper for the State of Alaska Defined Contribution Plans. Fees and expenses associated with the day-to-day management of the Plans are deducted from your account to support the Plans, as follows.

#### ADMINISTRATIVE FEES

The annual fee covers the cost of Plan recordkeeping expenses. Fees are assessed to the Plans separately and are based on your account balance.

- For all of the State of Alaska Defined Contribution plans, including the 457(b) Deferred Compensation Plan (DCP), the Supplemental Annuity Plan (SBS), and the PERS/TRS Defined Contribution Retirement (DCR) Plans, the 0.11% administrative fee is assessed monthly at 0.009%, based on the total balance. Annually, a fixed fee of \$35 (or \$25 for non-contributing participants) is charged.

Annual Administrative Fee	
0.11% + \$35 annual fee (\$25 for non-contributing participants)	

#### EMPOWER ADVISORY SERVICES FEES

(provided by Empower Advisory Group, LLC, a registered investment adviser)

Optional investment advisory services based upon the level of involvement you desire in managing your investments:

- Online Advice is available at no additional cost to you.
- If you choose My Total Retirement<sup>SM</sup>, the annual fee will be charged quarterly, based on a percentage of your assets under management, as shown to the right.

Assets Under Management	Annual Fee
Up to \$100,000	0.45%
Next \$150,000	0.35%
Next \$150,000	0.25%
> \$400,000	0.15%

Example:

Assets Under Management	Quarterly Fee Charged
\$10,000	\$11.25
\$20,000	\$22.50

There is no guarantee provided by any party that participation in any of the advisory services will result in a profit.

1. Each investment option has its own operating expenses. Actual fund operating expenses may be

9. U.S. Treasury securities, where listed, are guaranteed as to the timely payment of principal and interest

# Statement disclosure

## How has my account changed over time?

	<u>Total</u>
Year-To-Date Total Dividends: .....	7.10
Year-To-Date Total Withdrawals: .....	-25,353.34
2021 Year-End Balance: .....	518,353.68

## What activity took place this period?

	<u>Effective Date</u>	<u>Dollar Amount</u>		
<b>Withdrawal Charges</b>				
ACH Special Handling Charge	May 02, 2022	-15.00		
<b>Total Withdrawal Charges</b>		<b>-15.00</b>		
<b>Expenses</b>				
<del>Plan Administration Asset Based Fee</del>	<del>Apr 05, 2022</del>	<del>-69.09</del>		
Managed Account Investment Advisory Service Fee	Apr 08, 2022	-261.27		
<del>Plan Administration Asset Based Fee</del>	<del>May 05, 2022</del>	<del>-63.52</del>		
Plan Administration Asset Based Fee	Jun 06, 2022	-63.46		
<b>Total Expenses</b>		<b>-459.34</b>		
<b>Dividends/Capital Gains</b>				
	<u>Effective Date</u>	<u>Dollar Amount</u>	<u>Investment Option</u>	<u># Units /Shares</u> <u>Unit/Share Price</u>
Dividend	Apr 29, 2022	1.13	State Street Inst Treasury Money Market	1.130      1.000
Dividend	May 31, 2022	2.11	State Street Inst Treasury Money Market	2.110      1.000
Dividend	Jun 30, 2022	3.40	State Street Inst Treasury Money Market	3.400      1.000
<b>Total Dividends/Capital Gains</b>		<b>6.64</b>		



# New web experience – September 11, 2022

Overview

Account

Investing

Planning

Español

LA

Log out

NET WORTH

\$36,204

Assets

\$36,204

Liabilities

\$0

Empower accounts

\$36,204.29

Sample Corporation

36,204.29

Sample Corporation ... a few seconds ago

Link another account

My Total Retirement™

Sample Corporation

You selected the following account(s) to be enrolled in the service.

ACCOUNT	BALANCE
Sample Corporation Savings Plan	\$36,204.29

Enrollment into My Total Retirement™ may cause an allocation change or rebalance to take place on your account.

Below are the applicable fees, which will be deducted directly from your retirement account. Fees are charged in the frequency and manner detailed in the [Advisory Services Agreement](#). You can cancel your enrollment anytime, for any reason, without penalty.

ASSETS UNDER MANAGEMENT	ANNUAL RATE
Up to \$100,000.00	0.65%
Next \$150,000.00	0.45%
Next \$150,000.00	0.40%
Over \$400,000.01	0.30%

Current Allocation

Recommended Allocation

Asset Class	Current Allocation	Recommended Allocation
US Stocks	~10%	~40%
Int'l Stocks	~10%	~20%
US Bonds	~10%	~20%
Int'l Bonds	~10%	~10%
Alternatives	~10%	~10%
Cash	~50%	~10%

Advisory services materials including the terms of service, regulatory documents and ongoing communications are available in English only. If you need translation assistance, please work with a qualified translator to ensure you fully understand your obligations upon enrollment.

By clicking the "Agree" button, you confirm you have reviewed and agree to the [Advisory Services Agreement](#), and you acknowledge that you have received the [ADV Disclosure Brochure](#) and the [Privacy Policy](#).

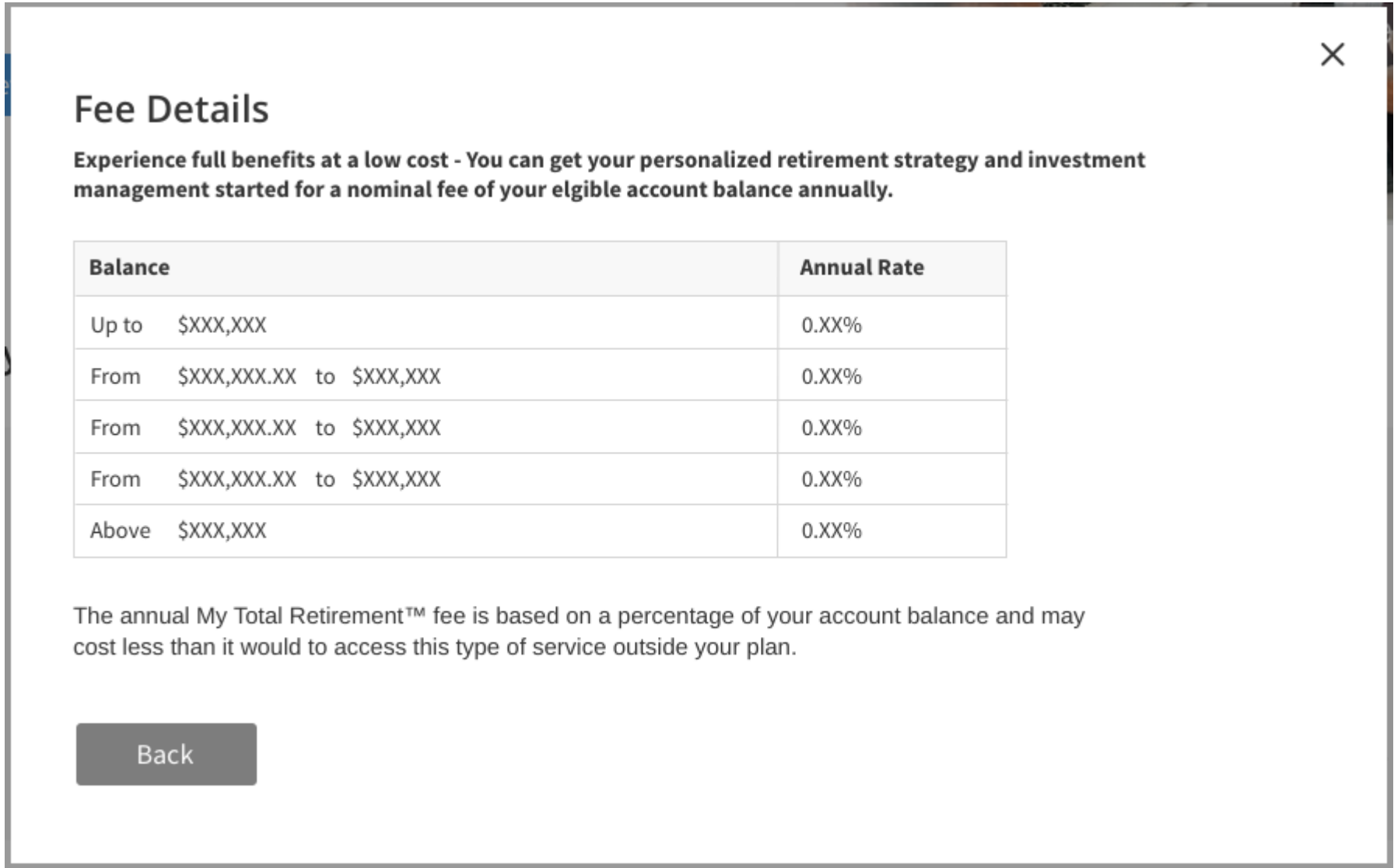
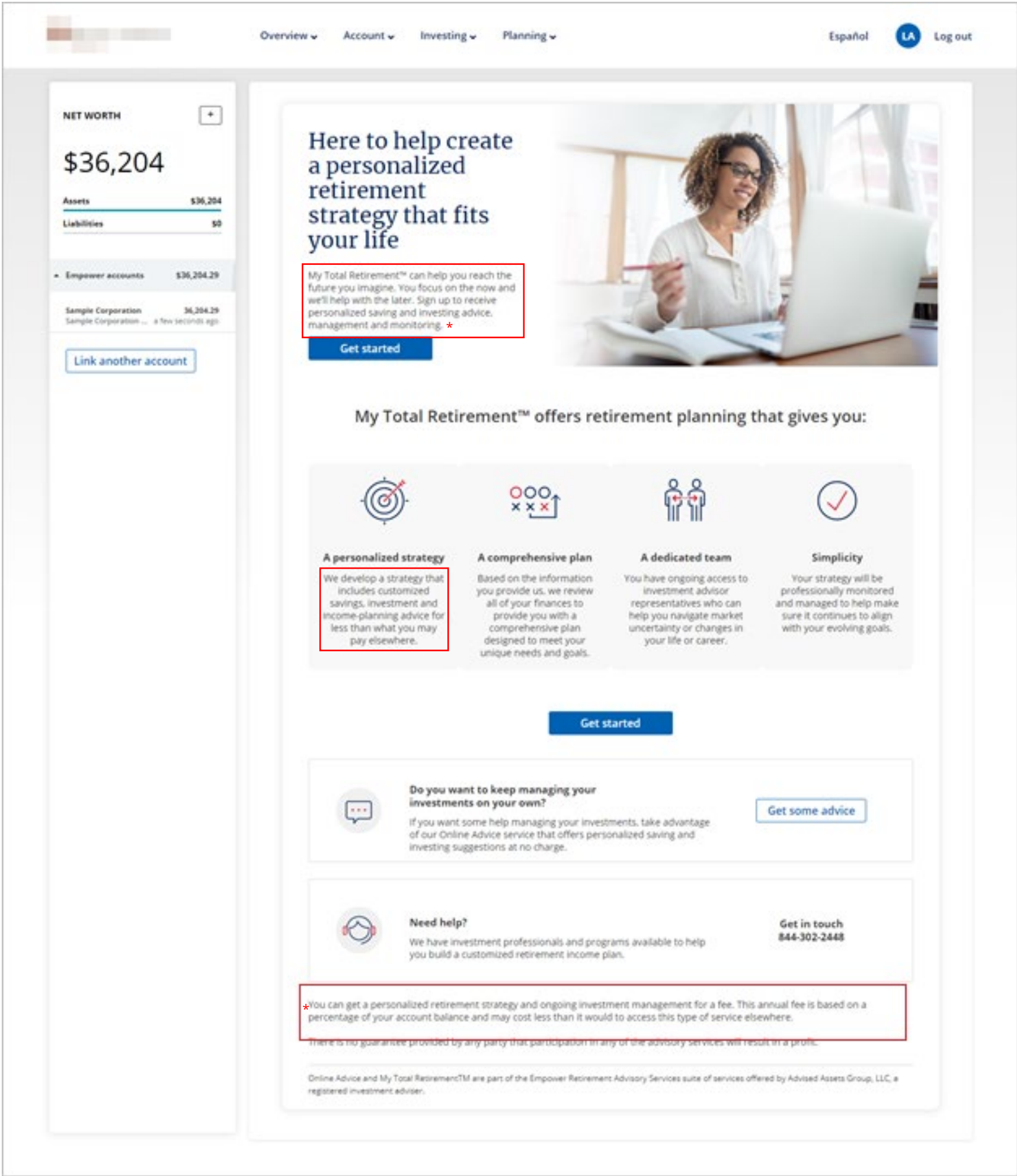
Back

Agree

For additional information, please review the [Advisory Services Methodology for Participants](#)

Online Advice and My Total Retirement™ are part of the Empower Retirement Advisory Services suite of services offered by Advised Assets Group, LLC, a registered investment adviser.

# Future state web experience – 2023



“You can elect to receive a personalized retirement strategy and ongoing investment management for a fee. This annual fee is based on a percentage of your account balance and may cost less than it would to access this type of service elsewhere.”

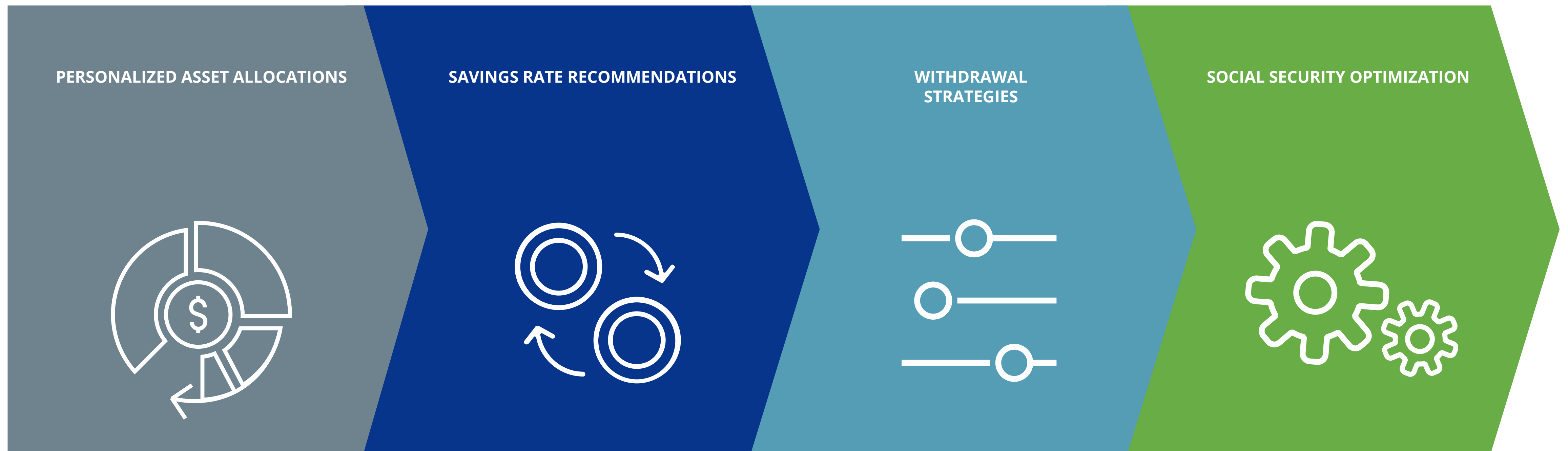
# My Total Retirement





# More than just asset allocation

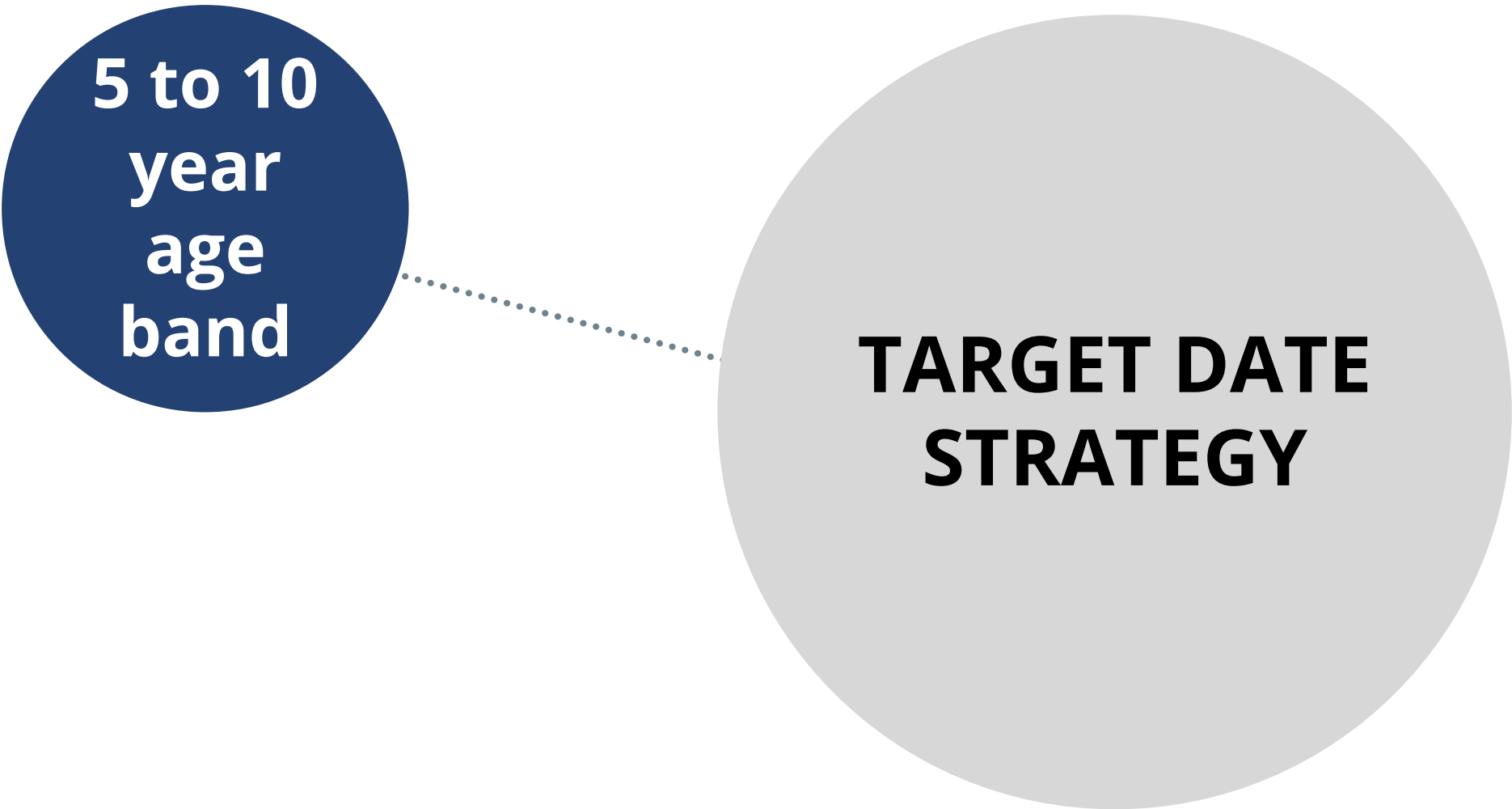
A custom retirement savings strategy that provides:



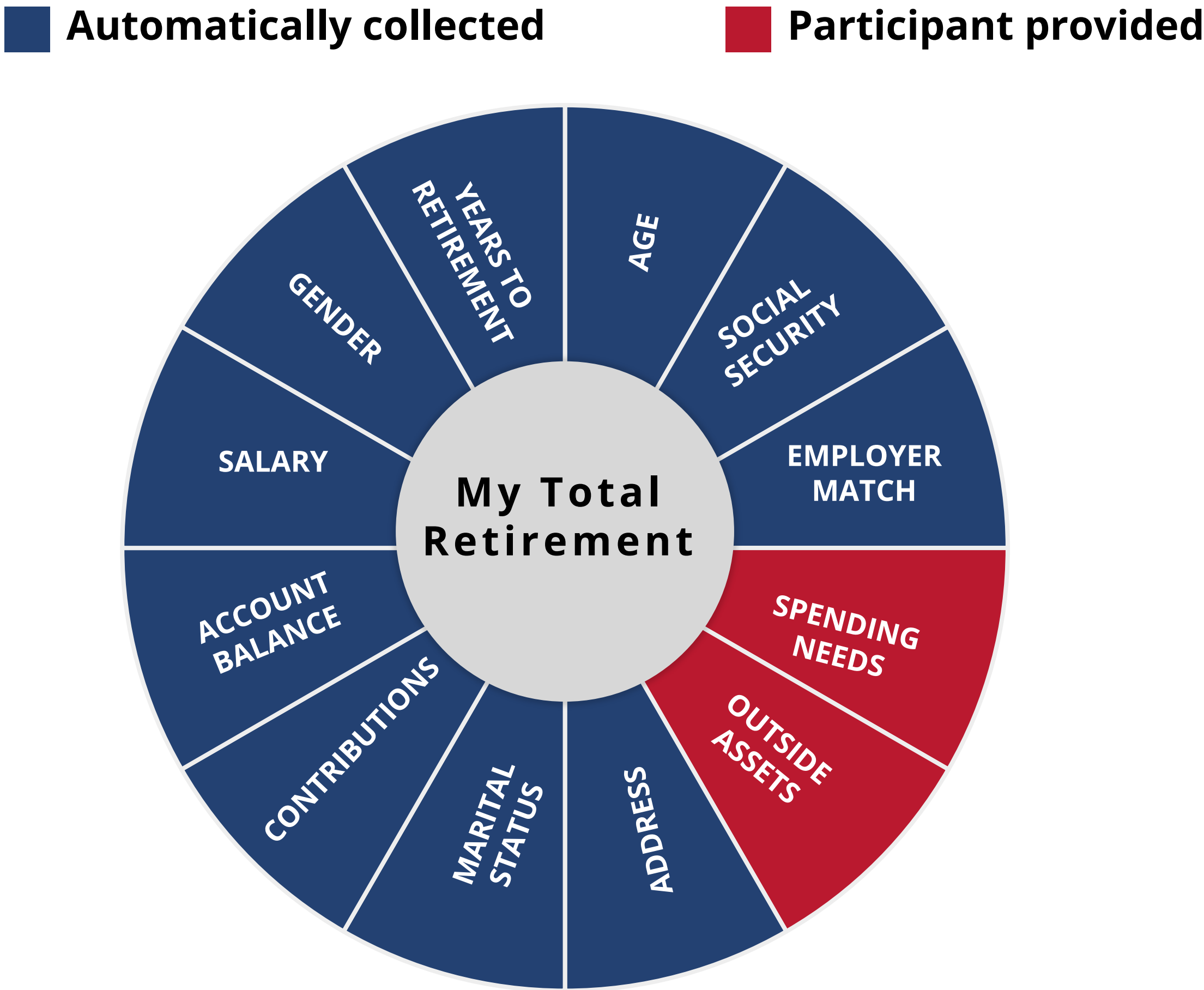
There is no guarantee provided by any party that participation in any of the advisory services will result in a profit.

# How is this different than a target date fund?

Retirement savings strategy customized to each employee

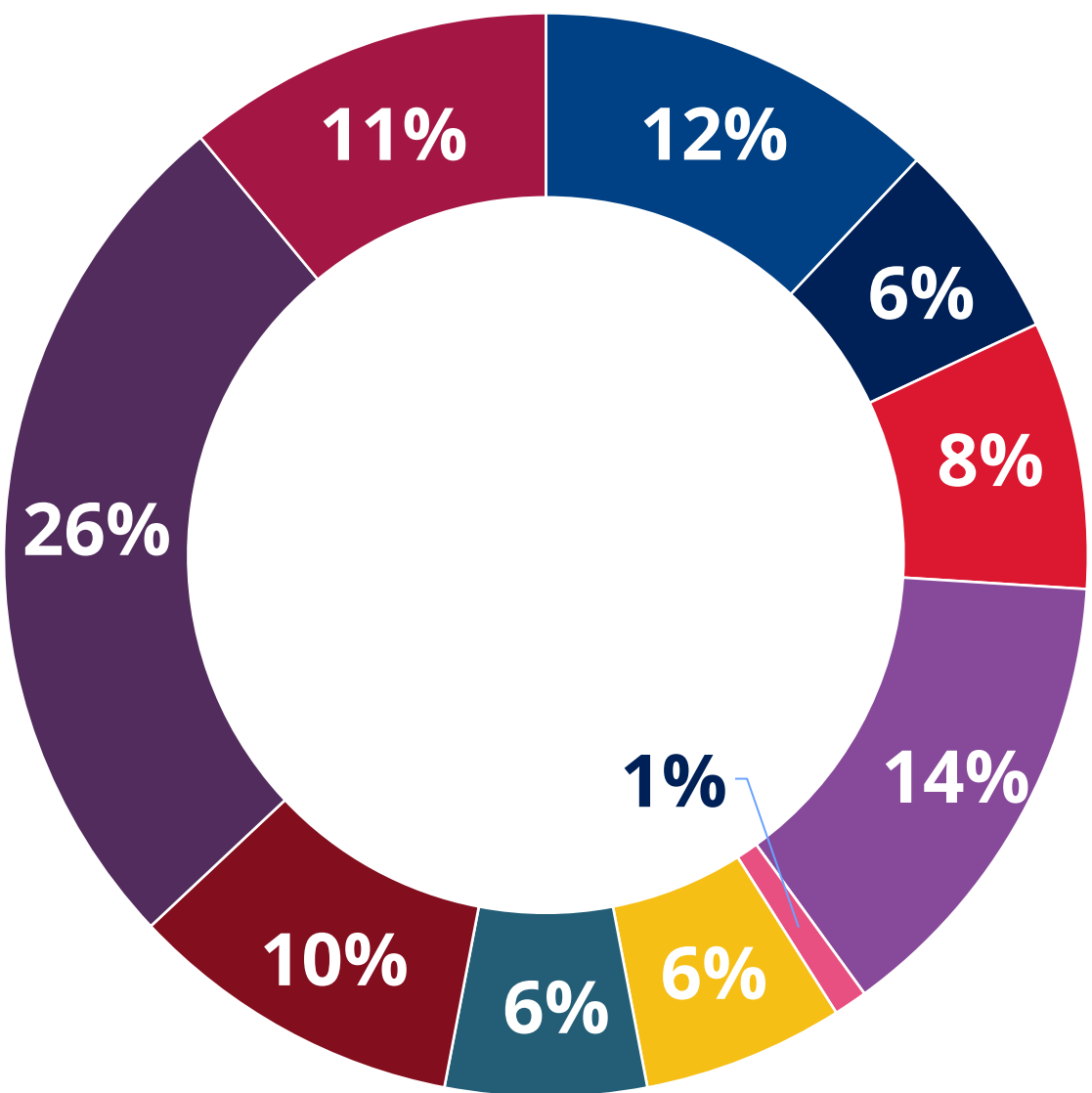


There is no guarantee provided by any party that participation in any of the advisory services will result in a profit.

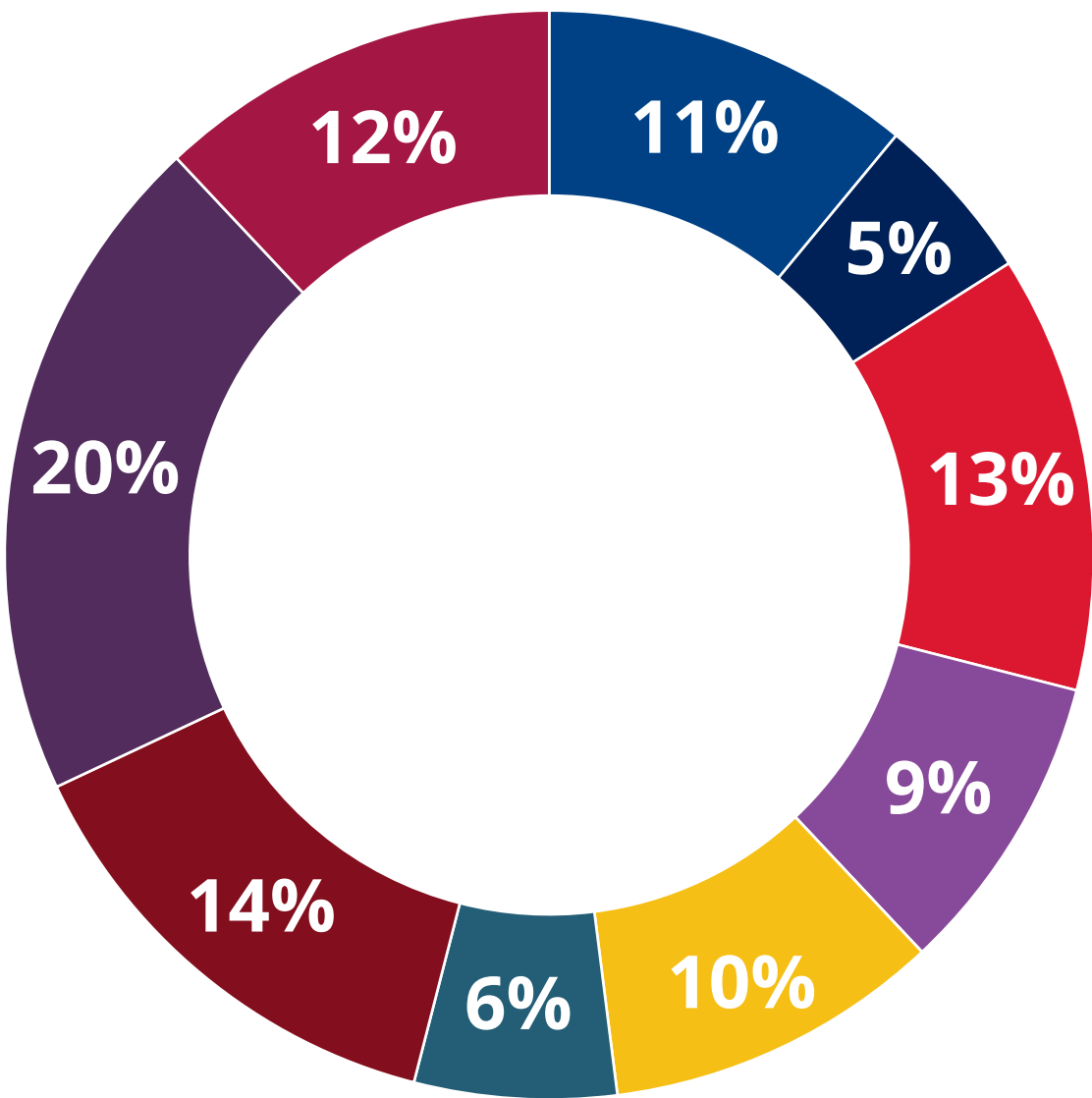


# Illustrating the benefit of personalized allocations for three participants of the same age

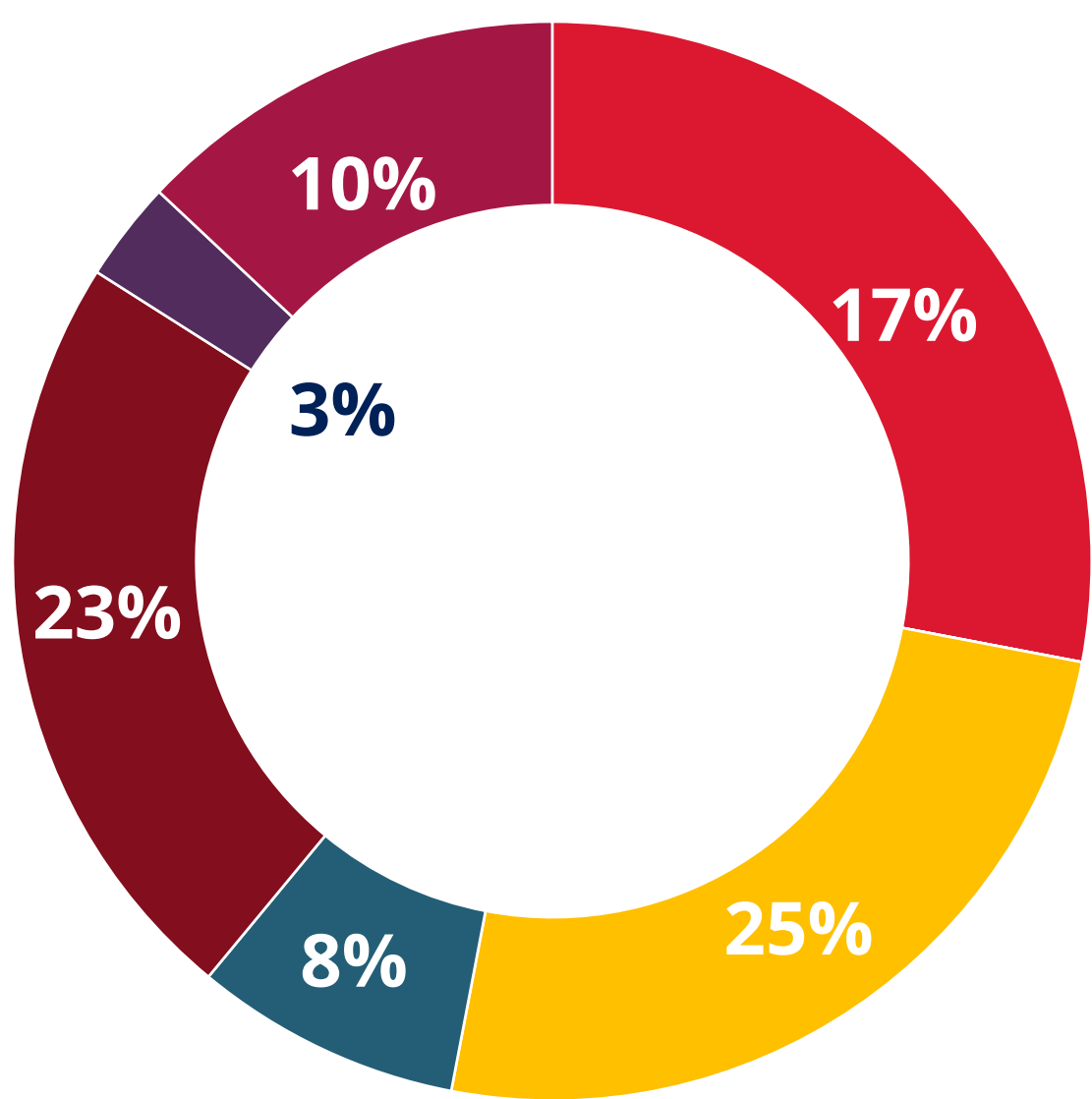
Participant A



Participant B



Participant C



- Alaska Balanced Trust
- International Equity Fund
- State Street Inst Treasury Money Market
- World Equity Ex-US Index
- Stable Value Fund

- Alaska Long-Term Balanced Trust
- Passive U.S. Bond Index Fund
- Russell 3000 Index
- US Small Cap Trust
- Environmental, Social and Governance Fd



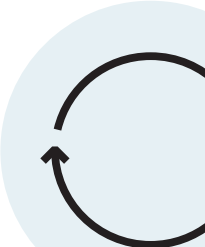


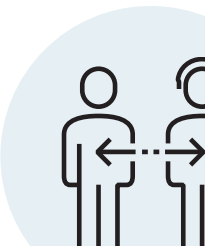



# Details

	Participant A	Participant B	Participant C
Age	51	51	51
Retirement Age	60	60	65
Equity %	42%	53%	78%
Salary	\$133,173	\$92,000	\$78,000
Balance	\$929,349	\$629,176	\$109,621
Outside Income	Pension, Roth IRA, Social Security Override	401k & Social Security Override	Pension, Rental Income, Other Cash Flow, Social Security Override
Investment Override	Recommended	Moderate	Recommended

# My Total Retirement Participant Communications



# Participant engagement and communication

AWARENESS	WELCOME	ONGOING MONITORING	RETIREMENT SUPPORT
 <b>CAMPAIGNS</b> Campaigns to promote awareness and enrollment	 <b>WELCOME EMAILS</b> Enrollment confirmation, account info confirmation and reminder to personalize account	 <b>RECURRING REVIEWS</b> Updates and ongoing recommendations	 <b>PLANNING FOR RETIREMENT</b> Allocations to products that provide guaranteed income for life (if applicable)
	 <b>CALL FROM INVESTMENT PROFESSIONALS</b>	 <b>1:1 SUPPORT</b> In-person or over-the-phone support from investment adviser representatives	 <b>INCOME MODELS AND PROJECTIONS</b>
	 <b>WELCOME KIT</b> Initial assessment and recommendations as well as retirement income projections		 <b>OPTIMIZING INCOME</b> Tax efficient withdrawal strategies that address sequence of return risk

There is no guarantee provided by any party that participation in any of the advisory services will result in a profit.

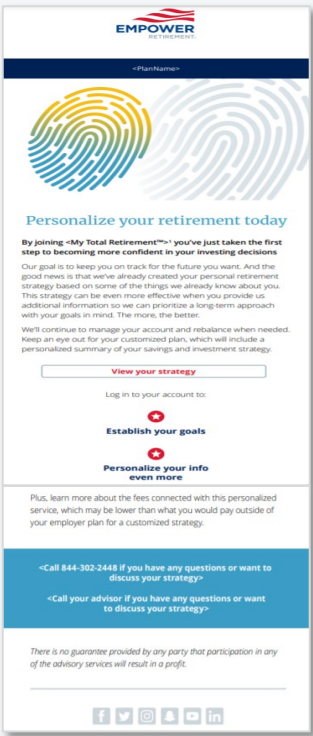


# Welcome to professionally managed accounts

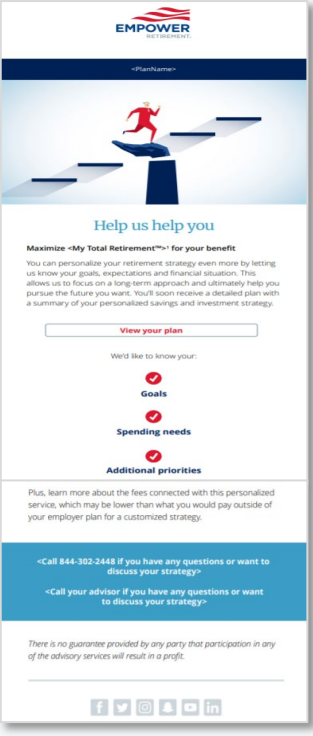
Objective	<ul style="list-style-type: none"><li>Welcome to newly enrolled members into the managed account service and encourage them to personalize their profile.</li></ul>
Channel	<ul style="list-style-type: none"><li>Email</li><li>Outbound call</li><li>Post login action (PLA)</li><li>Welcome kit</li></ul>
Audience	<ul style="list-style-type: none"><li>Newly enrolled in My Total Retirement or Advisor Managed Account</li></ul>
Timing	<ul style="list-style-type: none"><li>Triggered – 1 day after enrollment</li></ul>

# of Touches:  
3 emails  
1 post log in action  
1 welcome kit  
Outbound call

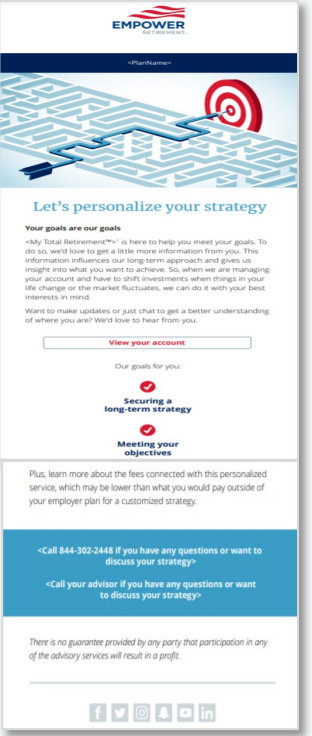
Touch 1



Touch 2



Touch 3



Post login action (PLA)



Welcome Kit



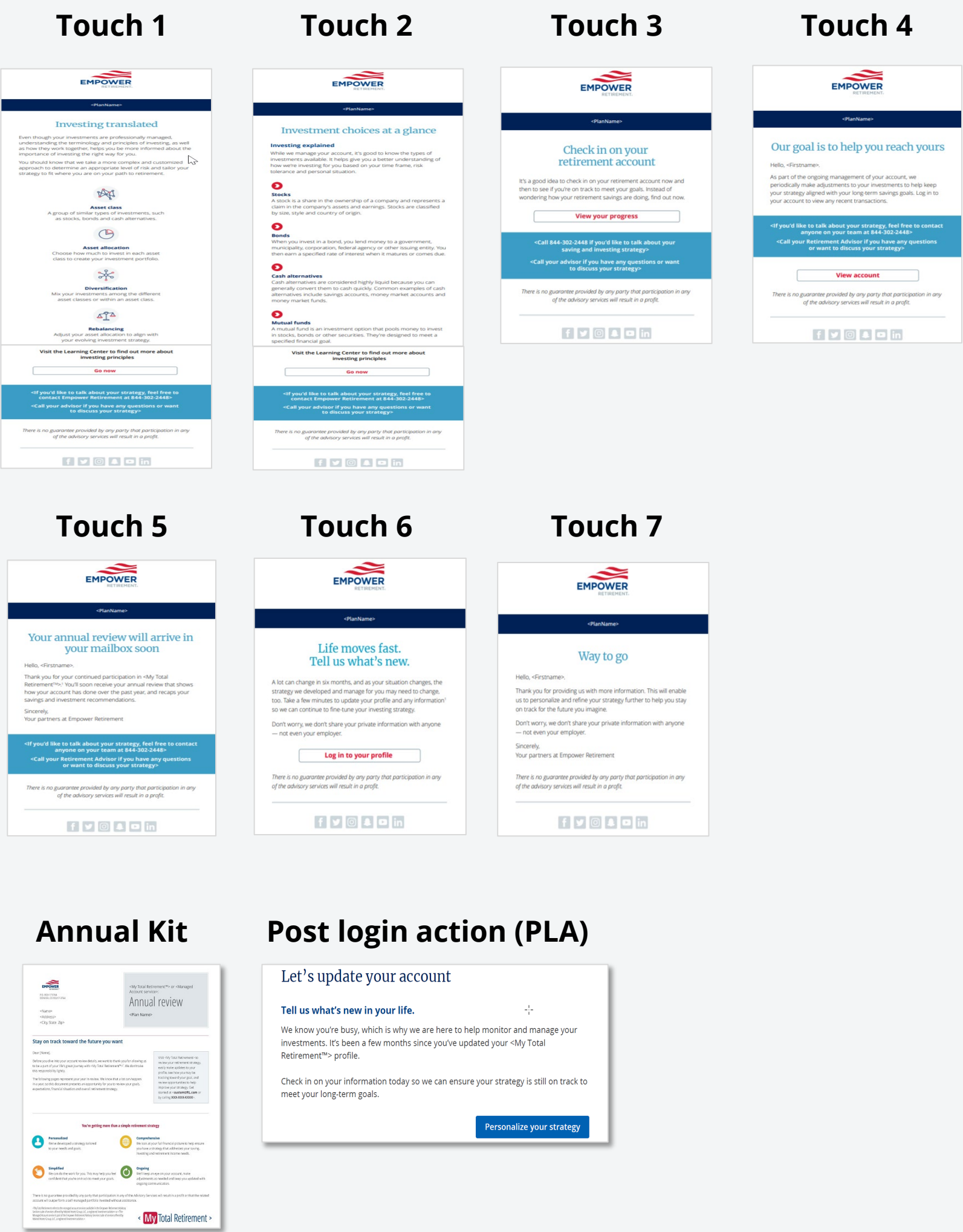
Outbound Call



# Engage with your professionally managed account

Objective	<ul style="list-style-type: none"><li>Provide ongoing engagement with members in advisory services.</li></ul>
Channel	<ul style="list-style-type: none"><li>Email</li><li>Post login action (PLA)</li><li>Annual kit</li></ul>
Audience	<ul style="list-style-type: none"><li>Enrolled in My Total Retirement or Advisor Managed Account</li></ul>
Timing	<ul style="list-style-type: none"><li>Ongoing – 4 emails sent once per year</li></ul> <b>AND</b> <ul style="list-style-type: none"><li>Triggered – 3 emails based on activity</li></ul>

# of Touches:  
7 emails  
1 post login action  
1 annual kit





Plan Analytics, 98214-01

# State of Alaska Deferred Compensation Plan



# Personalization trending

98214-01: State of Alaska Deferred Compensation Plan As of June 2022

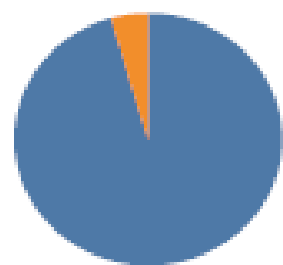
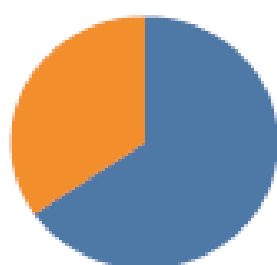
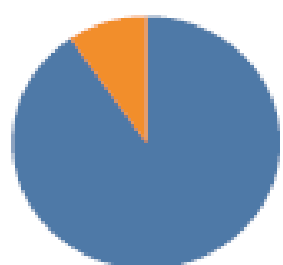
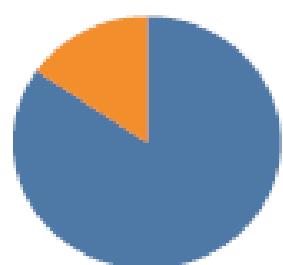
Added Outside Accounts

Added Spousal Information

Added Pension Accounts

Adjusted Life Expectancy

Ga Id  
98214-01

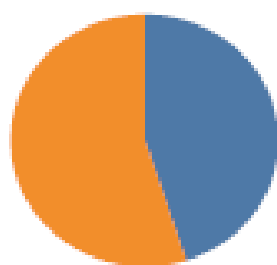
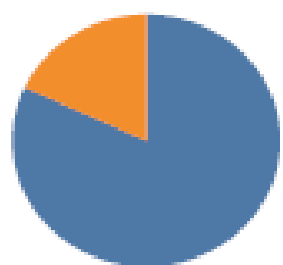
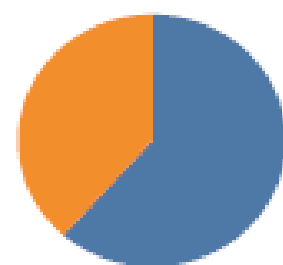


■ N  
■ Y

Adjusted Retirement Age

Adjusted Retirement Need

Total Adjustments Made



	Participant Accounts	% of Total in MA
Added Outside Accounts <sup>1</sup>	613	15.37%
Added Spousal Information <sup>2</sup>	381	9.56%
Added Pension Accounts <sup>1</sup>	1,378	34.56%
Adjusted Life Expectancy <sup>3</sup>	178	4.46%
Adjusted Retirement Age <sup>4</sup>	1,534	38.48%
Adjusted Retirement Need <sup>5</sup>	720	18.06%
Total That Made Adjustments	2,192	54.98%
Total Enrolled	3,987	100.00%

1 The Advisory Service process allows for the inclusion of outside financial and pension information to allow for more personalized retirement readiness recommendations

2 The inclusion of spousal/partner information allows for a holistic, household retirement income projection

3 Participants may adjust their life expectancy to help receive recommendations appropriate to their retirement income needs

4 Adjusting retirement age helps provide recommendations appropriate to the participant's savings horizon, and determined by a comparison of the retirement age in Advisory Services against the plan's default retirement age in the recordkeeping system

5 This column represents whether participants have adjusted their retirement income need to something other than 100%, post-tax replacement retirement income

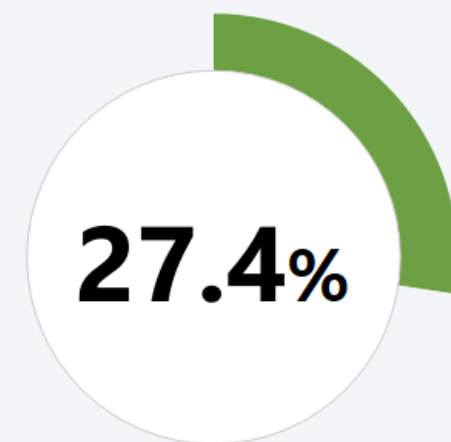


# Advisory services

As of 6/30/2022

Advisory services compares participants using and not using the advisory service. The illustration includes participants actively employed and separated from service with a balance.

## Population of participants using and not using My Total Retirement



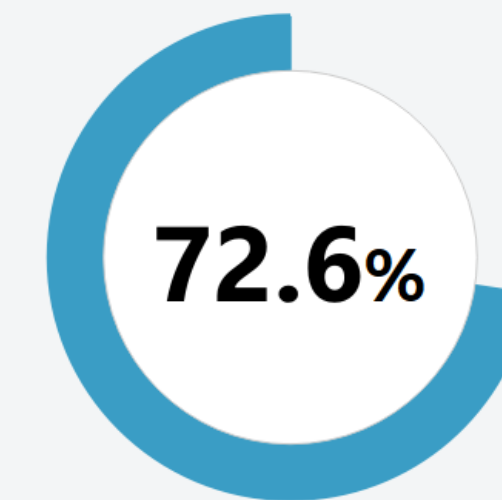
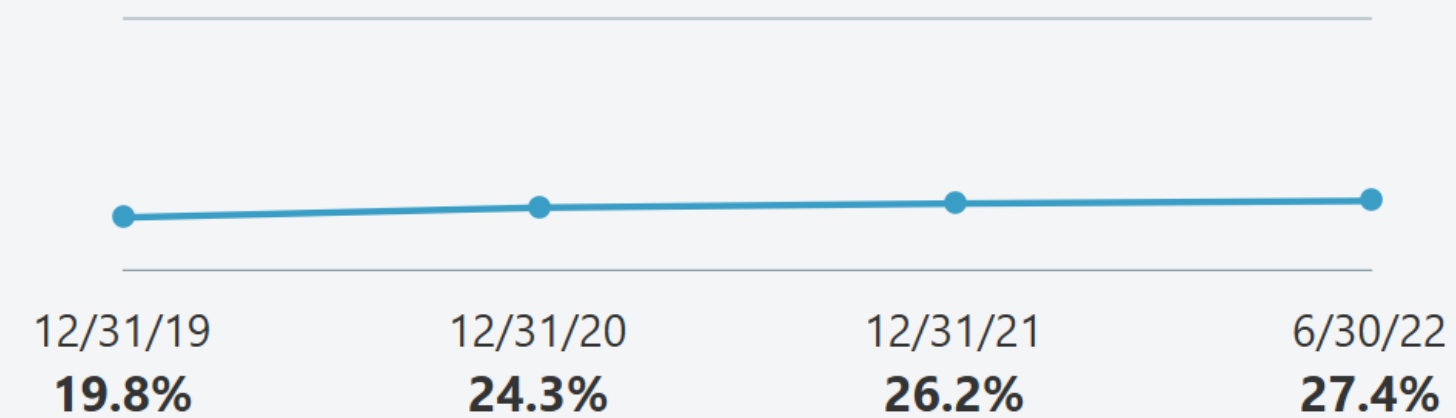
of participants are using  
**My Total Retirement**



This amounts to  
**3,464** participants



Population over time



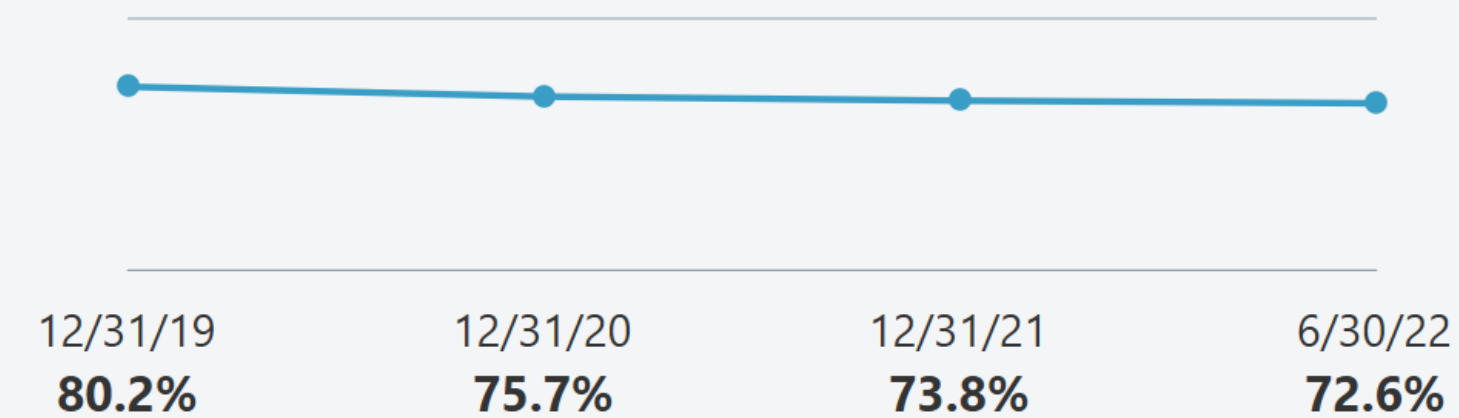
of participants are using  
other investment strategies



This amounts to  
**9,176** participants



Population over time



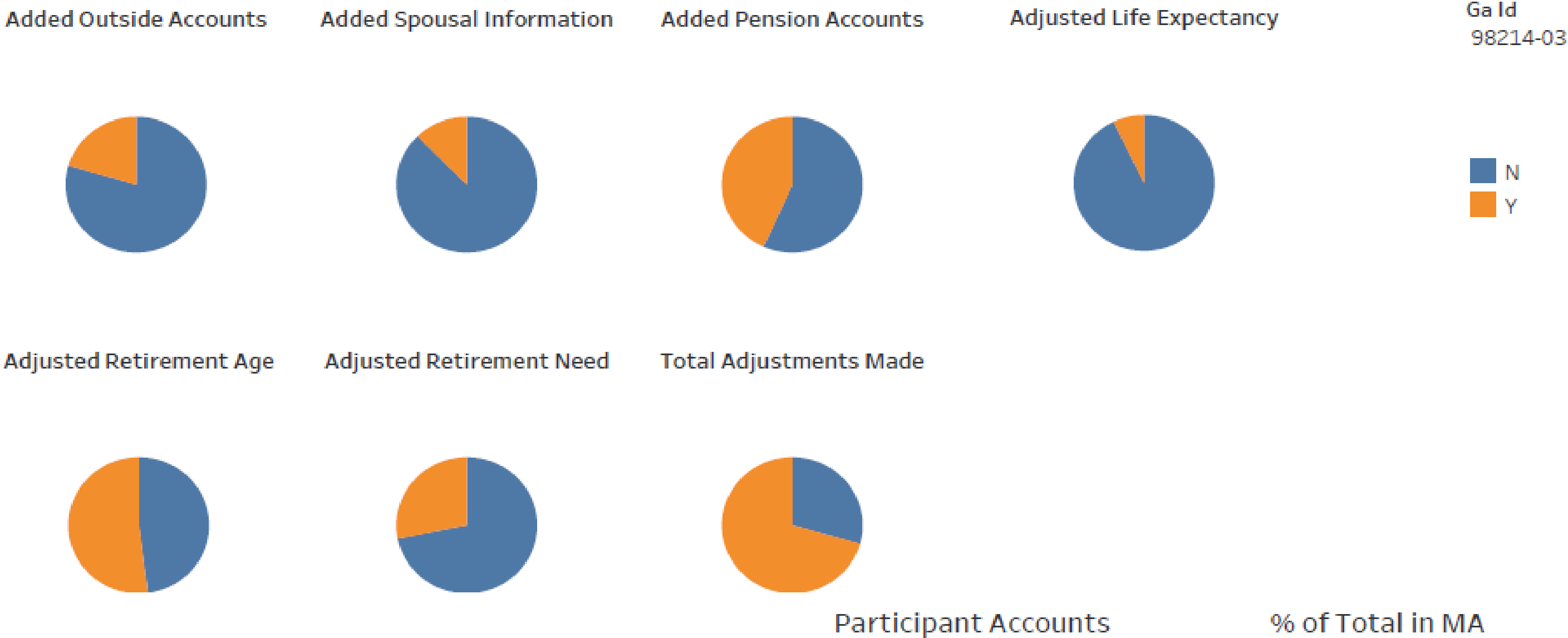
Plan Analytics, 98214-03

# State of Alaska Supplemental Annuity Plan



# Personalization trending

98214-03: State of Alaska Supplemental Annuity Plan As of June 2022



	Participant Accounts	% of Total in MA
Added Outside Accounts <sup>1</sup>	709	20.49%
Added Spousal Information <sup>2</sup>	425	12.28%
Added Pension Accounts <sup>1</sup>	1,500	43.34%
Adjusted Life Expectancy <sup>3</sup>	244	7.05%
Adjusted Retirement Age <sup>4</sup>	1,802	52.07%
Adjusted Retirement Need <sup>5</sup>	973	28.11%
Total That Made Adjustments	2,442	70.56%
Total Enrolled	3,461	100.00%

1 The Advisory Service process allows for the inclusion of outside financial and pension information to allows for more personalized retirement readiness recommendations

2 The inclusion of spousal/partner information allows for a holistic, household retirement income projection

3 Participants may adjust their life expectancy to help receive recommendations appropriate to their retirement income needs

4 Adjusting retirement age helps provide recommendations appropriate to the participant’s savings horizon, and determined by a comparison of the retirement age in Advisory Services against the plan’s default retirement age in the recordkeeping system

5 This column represents whether participants have adjusted their retirement income need to something other than 100%, post-tax replacement retirement income

NOT APPROVED FOR USE WITH PLAN PARTICIPANTS

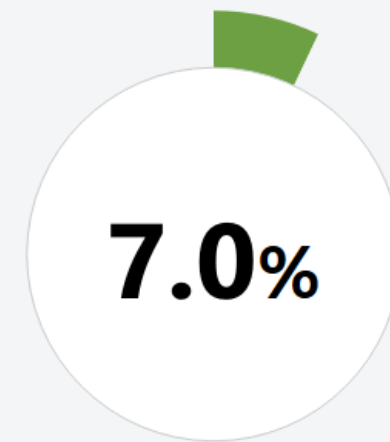


# Advisory services

As of 6/30/2022

Advisory services compares participants using and not using the advisory service. The illustration includes participants actively employed and separated from service with a balance.

## Population of participants using and not using My Total Retirement



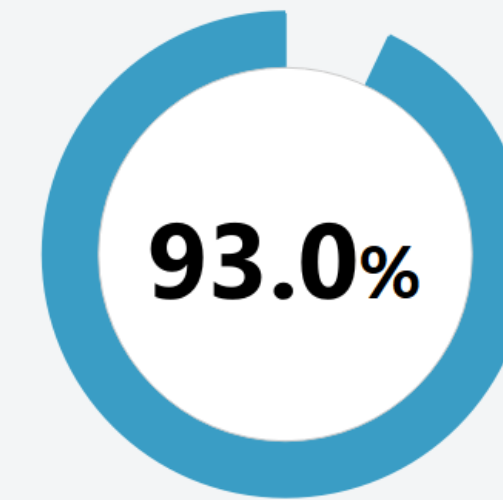
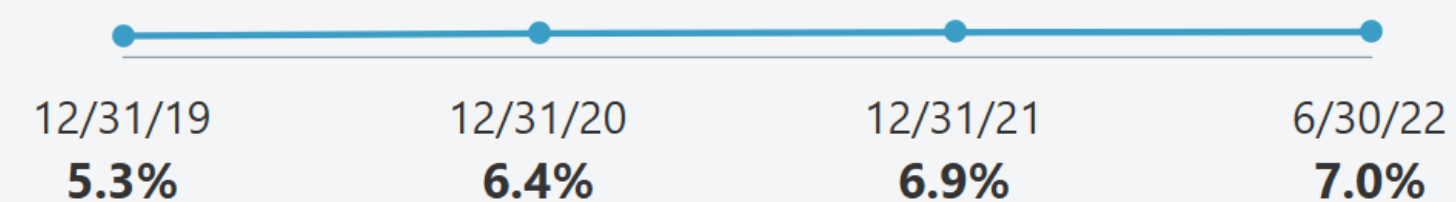
of participants are using  
**My Total Retirement**



This amounts to  
**3,560** participants



Population over time



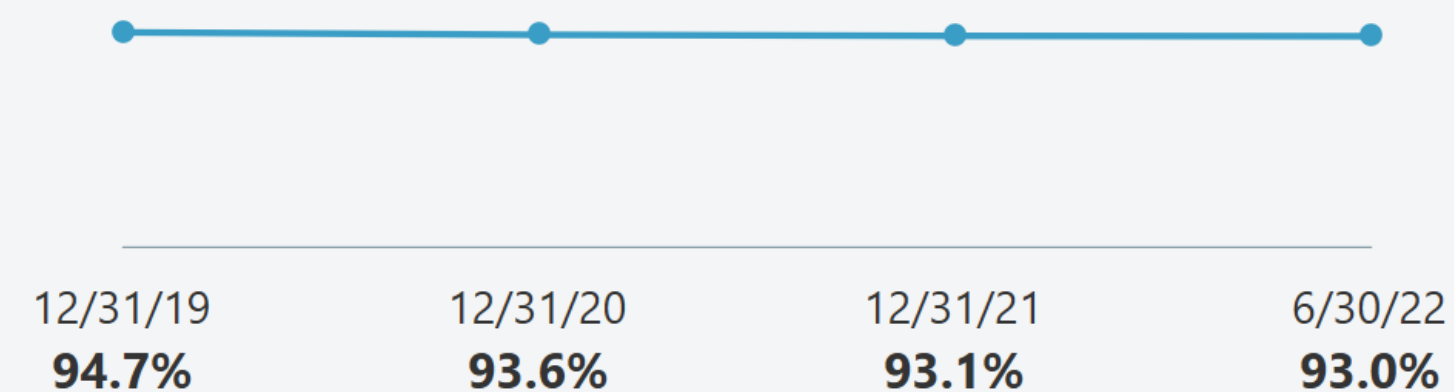
of participants are using  
other investment strategies



This amounts to  
**46,943** participants



Population over time



Median Lifetime Income Score and average contribution rate will show as not available when the data required for those calculations has not been provided  
98214-03 State of Alaska Supplemental Annuity Plan

FOR PLAN SPONSOR OR FINANCIAL PROFESSIONAL USE ONLY.

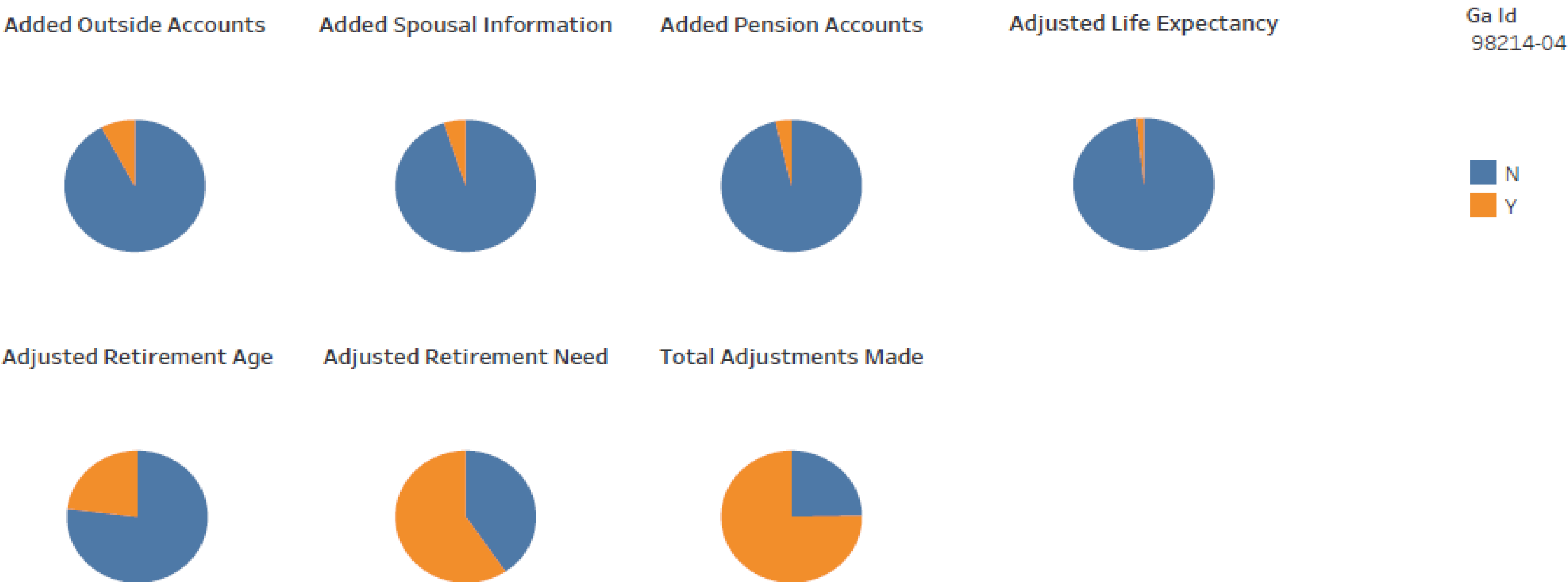
Plan Analytics, 98214-04

# State of Alaska Public Employees' Tier IV Defined Contribution Retirement Plan



# Personalization trending

98214-04: State of Alaska Public Employees' Tier IV Defined Contribution Retirement Plan As of June 2022



	Participant Accounts	% of Total in MA
Added Outside Accounts <sup>1</sup>	450	7.74%
Added Spousal Information <sup>2</sup>	291	5.00%
Added Pension Accounts <sup>1</sup>	213	3.66%
Adjusted Life Expectancy <sup>3</sup>	93	1.60%
Adjusted Retirement Age <sup>4</sup>	1,340	23.04%
Adjusted Retirement Need <sup>5</sup>	3,459	59.47%
Total That Made Adjustments	4,378	75.28%
Total Enrolled	5,816	100.00%

1 The Advisory Service process allows for the inclusion of outside financial and pension information to allows for more personalized retirement readiness recommendations

2 The inclusion of spousal/partner information allows for a holistic, household retirement income projection

3 Participants may adjust their life expectancy to help receive recommendations appropriate to their retirement income needs

4 Adjusting retirement age helps provide recommendations appropriate to the participant’s savings horizon, and determined by a comparison of the retirement age in Advisory Services against the plan’s default retirement age in the recordkeeping system

5 This column represents whether participants have adjusted their retirement income need to something other than 100%, post-tax replacement retirement income

NOT APPROVED FOR USE WITH PLAN PARTICIPANTS



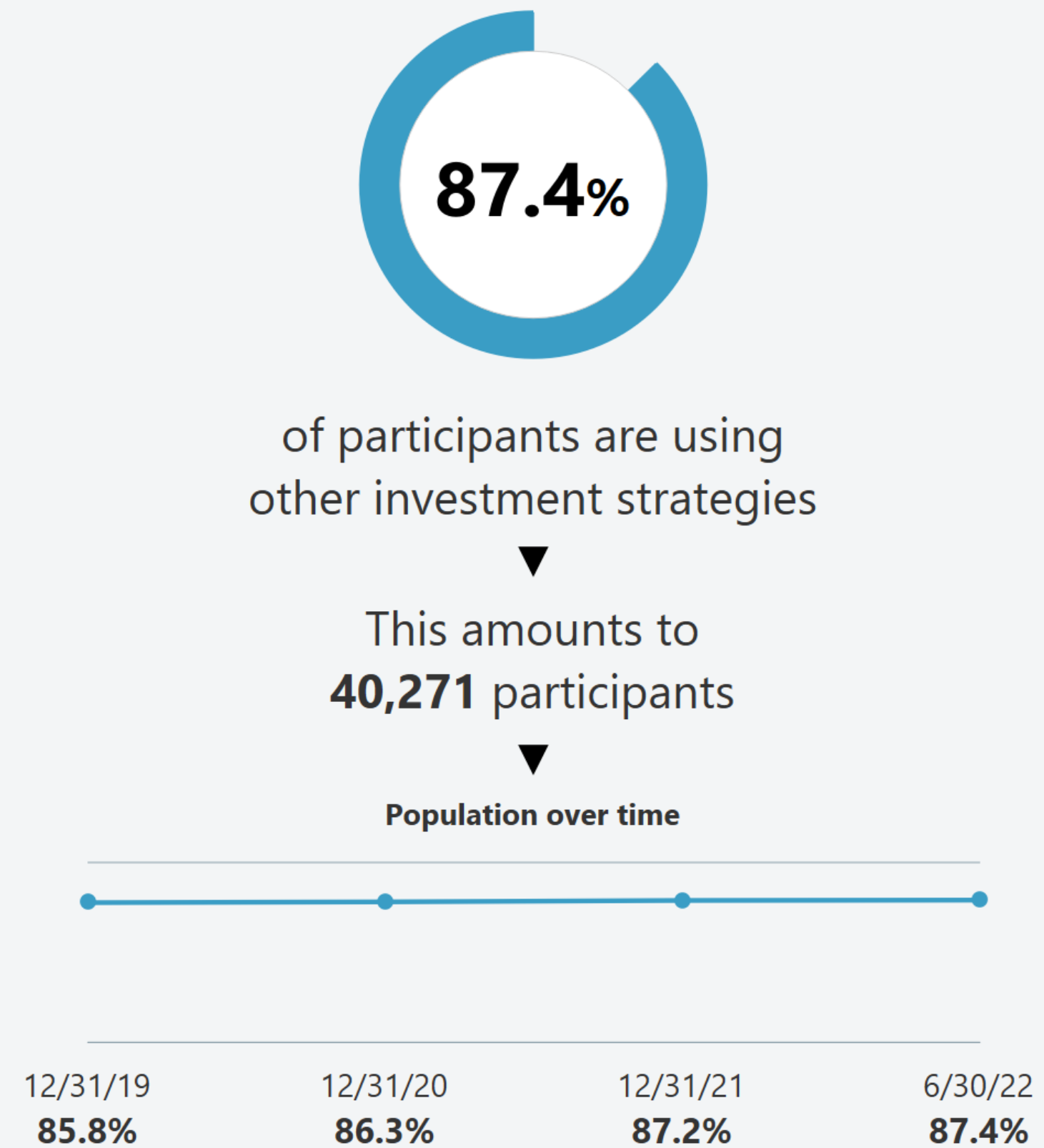
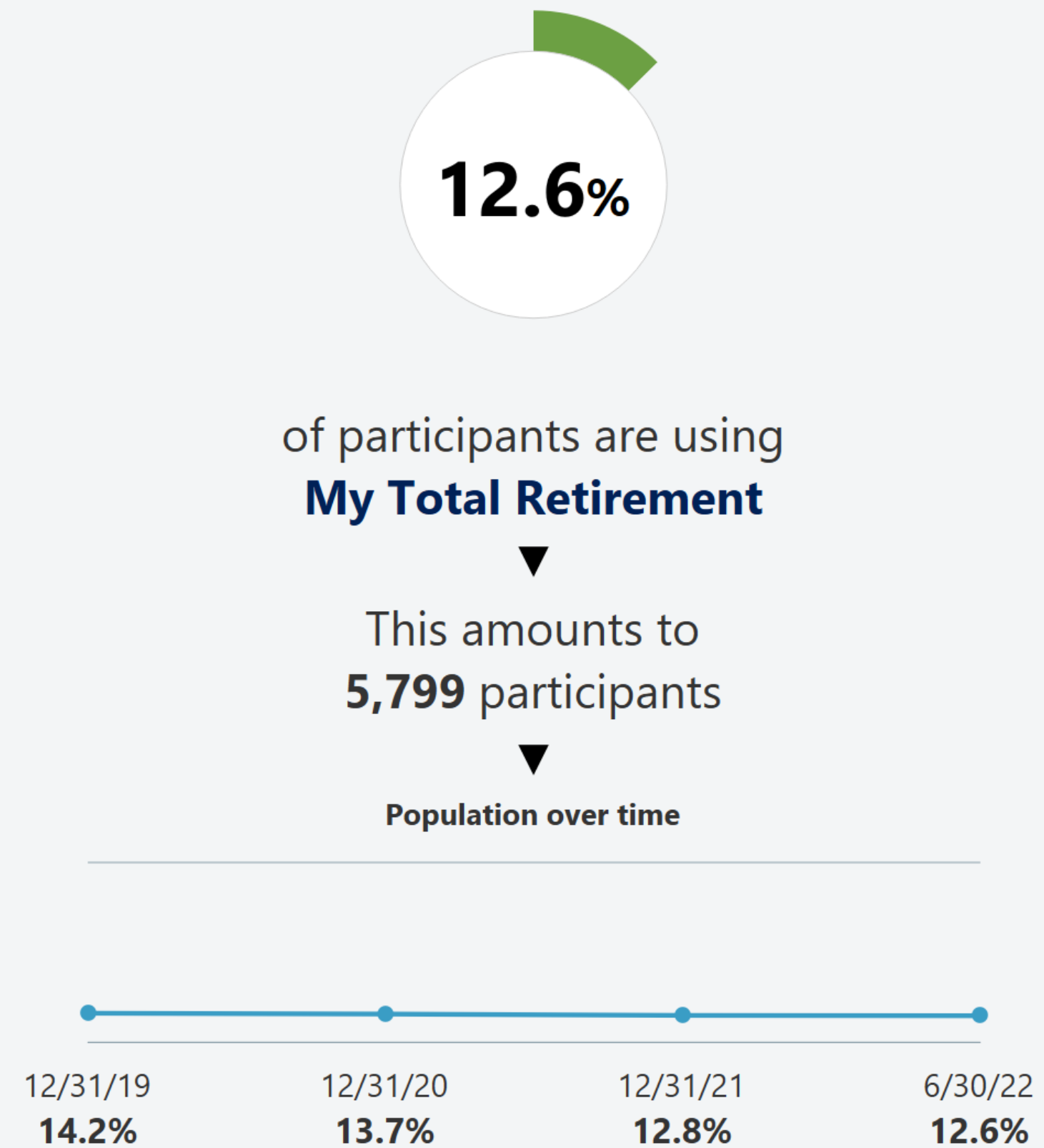


# Advisory services

As of 6/30/2022

Advisory services compares participants using and not using the advisory service. The illustration includes participants actively employed and separated from service with a balance.

## Population of participants using and not using My Total Retirement



Median Lifetime Income Score and average contribution rate will show as not available when the data required for those calculations has not been provided  
98214-04 State of Alaska Public Employees' Tier IV Defined Contribution Retirement Plan

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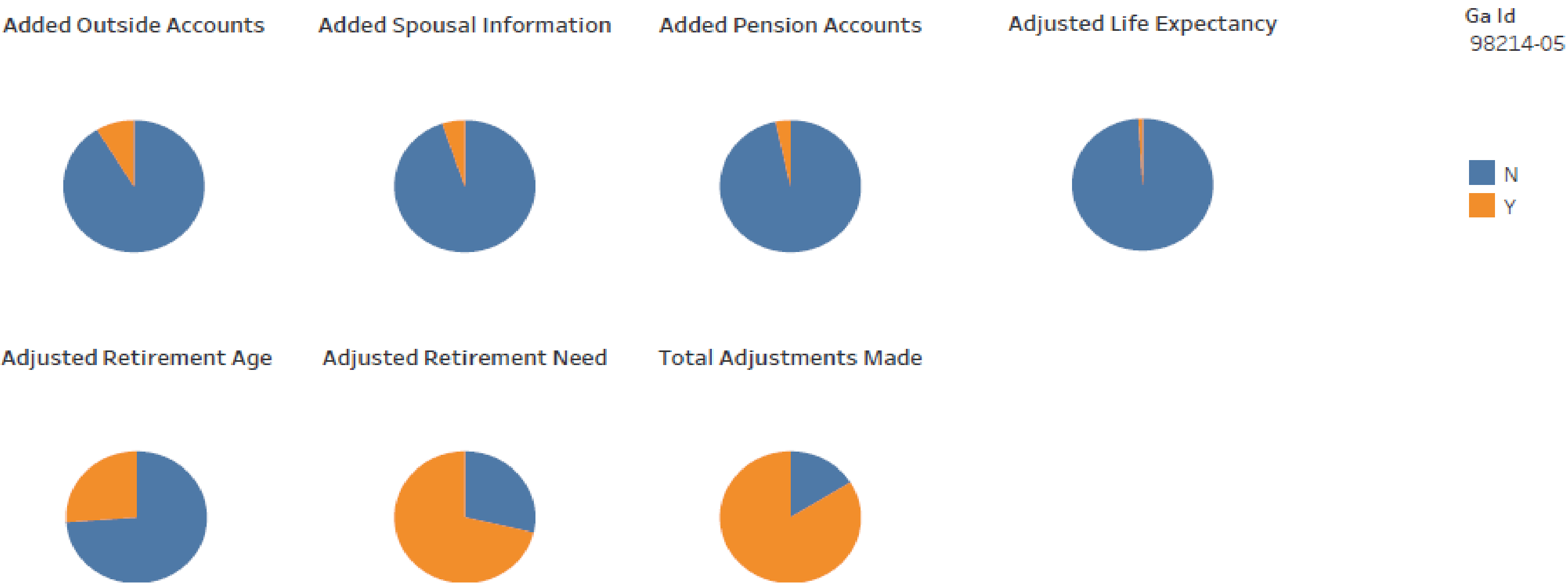
Plan Analytics, 98214-05

# State of Alaska Teachers' Retirement System Tier III Defined Contribution Plan



# Personalization trending

98214-05: State of Alaska Teachers' Retirement System Tier III Defined Contribution Plan As of June 2022



	Participant Accounts	% of Total in MA
Added Outside Accounts <sup>1</sup>	131	8.70%
Added Spousal Information <sup>2</sup>	78	5.18%
Added Pension Accounts <sup>1</sup>	51	3.39%
Adjusted Life Expectancy <sup>3</sup>	14	0.93%
Adjusted Retirement Age <sup>4</sup>	394	26.16%
Adjusted Retirement Need <sup>5</sup>	1,074	71.31%
Total That Made Adjustments	1,264	83.93%
Total Enrolled	1,506	100.00%

1 The Advisory Service process allows for the inclusion of outside financial and pension information to allows for more personalized retirement readiness recommendations

2 The inclusion of spousal/partner information allows for a holistic, household retirement income projection

3 Participants may adjust their life expectancy to help receive recommendations appropriate to their retirement income needs

4 Adjusting retirement age helps provide recommendations appropriate to the participant's savings horizon, and determined by a comparison of the retirement age in Advisory Services against the plan's default retirement age in the recordkeeping system

5 This column represents whether participants have adjusted their retirement income need to something other than 100%, post-tax replacement retirement income

NOT APPROVED FOR USE WITH PLAN PARTICIPANTS

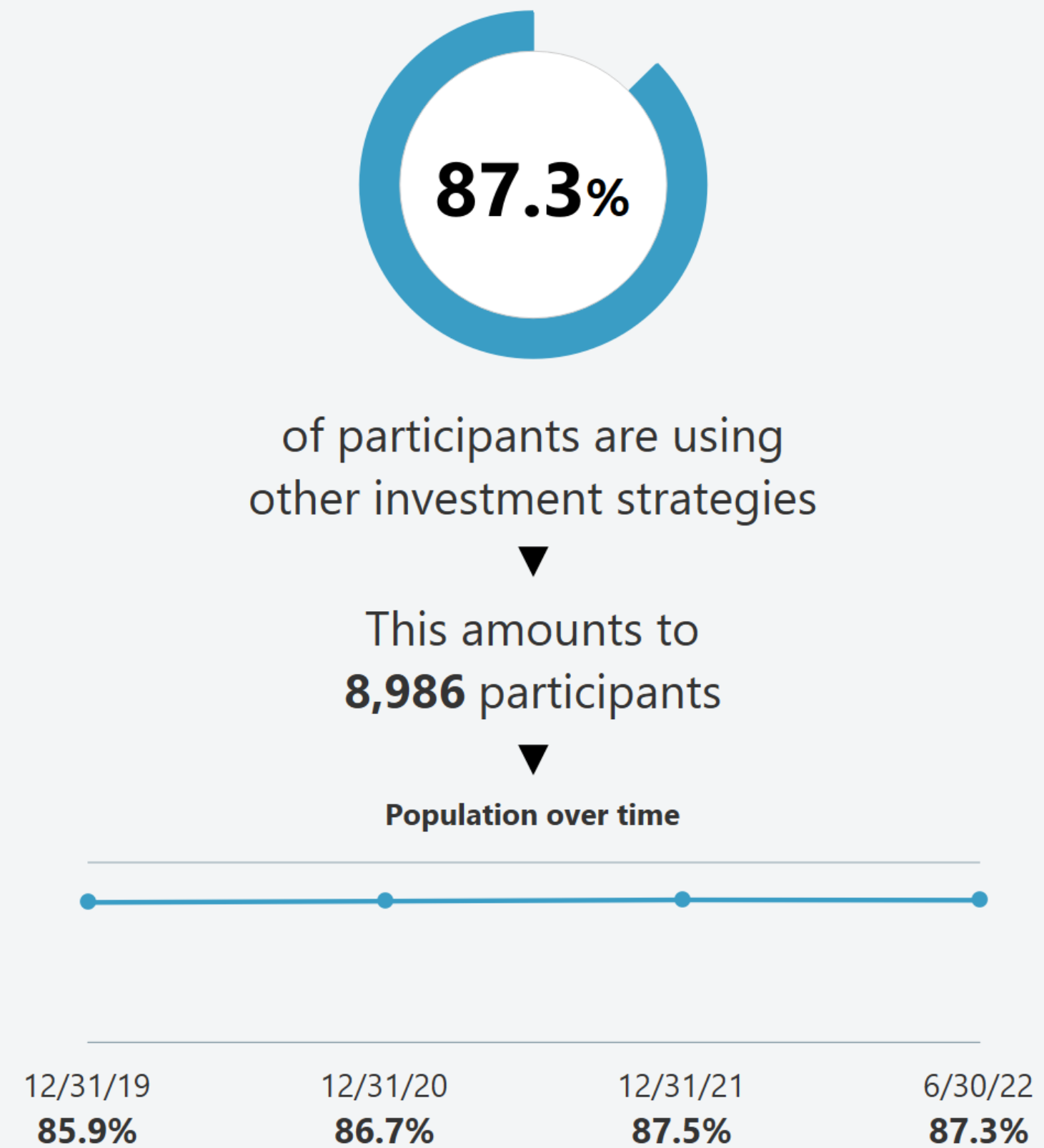
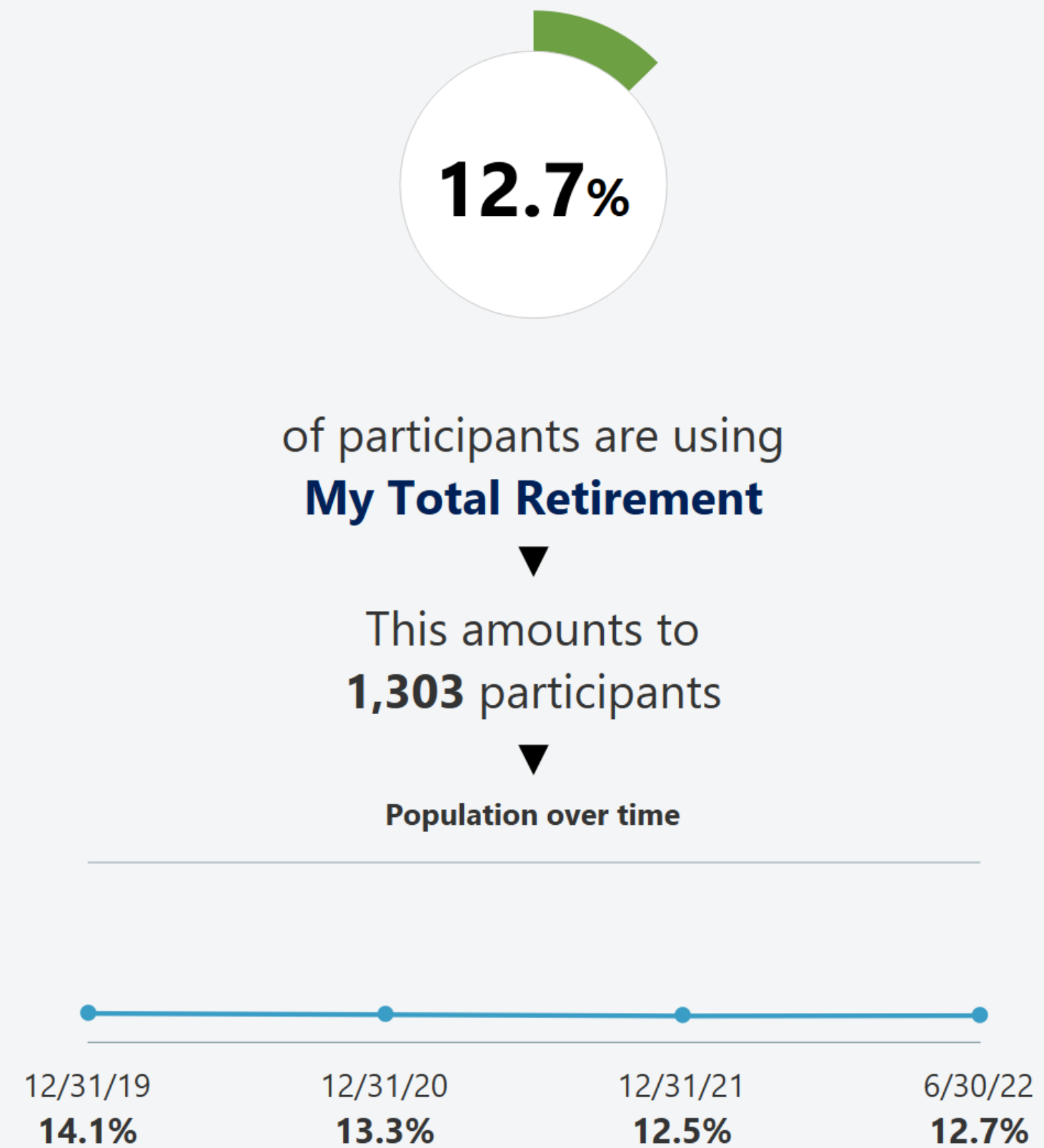


# Advisory services

As of 6/30/2022

Advisory services compares participants using and not using the advisory service. The illustration includes participants actively employed and separated from service with a balance.

## Population of participants using and not using My Total Retirement



Median Lifetime Income Score and average contribution rate will show as not available when the data required for those calculations has not been provided  
98214-05 State of Alaska Teachers' Retirement System Tier III Defined Contribution Plan

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Advised Assets Group, LLC, Internal Rate of Return (IROR) All Segments Study, 2018. The participant return distribution included in this study is used to illustrate the difference between those participants within the 90th percentile and the 10th percentile to preserve statistical integrity of the data reported. Refer to the study, available through AAG, for additional disclosures and methodologies.

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RO1366437-1020



Thank you

Alaska Retirement Management Board  
Defined Contribution Plan Committee  
Schedule of Remaining 2022 Meetings

**November 30, 2022 (Anchorage/ Videoconference)**

1. DRB and Empower Update  
Surveys, Education/Outreach Efforts, New Initiatives/Plans
2. Treasury Update  
Investment Updates, New Initiatives/Plans
3. Annual Planning – Set Committee Goals
4. *(Additional Topics To Be Determined)*

**Periodic and As Needed Meeting Topics**

1. Committee Self-Assessment *(Generally conducted during June & December meetings)*
2. *(Additional Topics To Be Determined)*

**Alaska Retirement Management Board**  
**Defined Contribution Plan Committee**  
**Schedule of 2023 Meetings**

**March 15, 2023 (Juneau/ Videoconference)**

1. DRB and Empower Update  
Surveys, Education/Outreach Efforts, New Initiatives/Plans
2. Treasury Update  
Investment Updates, New Initiatives/Plans
3. (Additional Topics To Be Determined)

**June 14, 2023 (Anchorage/ Videoconference)**

1. DRB and Empower Update  
Surveys, Education/Outreach Efforts, New Initiatives/Plans
2. Treasury Update  
Investment Updates, New Initiatives/Plans
3. (Additional Topics To Be Determined)

**September 13, 2023 (Anchorage/ Videoconference)**

1. DRB and Empower Update  
Surveys, Education/Outreach Efforts, New Initiatives/Plans
2. Treasury Update  
Investment Updates, New Initiatives/Plans
3. (Additional Topics To Be Determined)

**December 6, 2023 (Anchorage/ Videoconference)**

1. DRB and Empower Update  
Surveys, Education/Outreach Efforts, New Initiatives/Plans
2. Treasury Update  
Investment Updates, New Initiatives/Plans
3. Annual Planning – Set Committee Goals
4. (Additional Topics To Be Determined)

**Periodic and As Needed Meeting Topics**

1. Committee Self-Assessment (*Generally conducted during June & December meetings*)
2. (Topics To Be Determined)



# APPENDIX



## TRS and Social Security Enrollment

Alaska Retirement Management Board,  
Defined Contribution Committee

October 4, 2017

*Melanie Helmick, State Social Security Administrator*

## TRS and Social Security Enrollment

- **TRS and Social Security History**

*Questions?*

- **TRS Social Security Enrollment Process**
- **TRS Social Security Cost**

*Questions?*

- **Additional Information**

- |                    |                           |
|--------------------|---------------------------|
| ▪ TRS and Medicare | ▪ TRS Employers           |
| ▪ TRS and SBS      | ▪ Other states            |
| ▪ TRS Members      | ▪ Today's Social Security |

*Final Questions?*

## TRS and Social Security History

### **1935 – President Roosevelt signed the Social Security Act into law.**

Created Section 210 of the Social Security Act, aka mandatory Social Security.

- Applied to private employees.
- Federal government didn't impose Social Security on state, and local government employees – yet.



## TRS and Social Security History

### **1951 – Social Security Administration (SSA) created Section 218 of the Social Security Act, aka Voluntary Social Security.**

- Made Social Security enrollment voluntary for state and local governments.
- Each state passed enabling legislation and states created Master Voluntary Social Security Agreements.
- Each state must have a State Social Security Administrator (SSSA).
  - SSSA executes Master Voluntary Social Security Agreement.
  - SSSA is liaison between IRS, SSA, and local governments.

## TRS and Social Security History

**State political subdivisions can join the State's Master Voluntary Social Security Agreement with a modification to that original agreement.**

- Agreements cover positions not people.
- Social Security coverage is extended to groups of employees known as coverage groups.
  - Absolute Coverage Groups
  - Retirement System Coverage Groups
- 189 modifications to the State's Master Voluntary Social Security Agreement to date.

## TRS and Social Security History

When the State's Master Voluntary Social Security Agreement was created in 1951, existing retirement systems were excluded from voluntary coverage:

- Territorial TRS (originated in 1945)
- Anchorage Police/Fire





## TRS and Social Security History

**1955**

The SSA said that members of excluded systems (TRS and Anchorage Police/Fire) could now vote to elect Social Security coverage.

**1958**

The University of Alaska is the only entity that held a vote and TRS employees elected to enroll in Social Security.



## TRS and Social Security History

**1983**

- The last date an entity could dissolve a Master Voluntary Social Security Agreement or modification thereof.
- State of AK: Dissolved December 31, 1979 and replaced with SBS.
- University of Alaska dissolved December 31, 1981.

## TRS and Social Security History

### 1991

Social Security Administration amended the Mandatory Social Security section of the Social Security Act to require Social Security coverage for state and local government employees:

- who are not members of a retirement system, and
- who are not covered by a Master Voluntary Social Security Agreement or modification.

## TRS and Social Security History

### Summary

- TRS employees aren't able to enroll in mandatory Social Security because they are covered by a qualified retirement replacement plan (TRS).
- TRS employees can elect Social Security coverage under the State's Master Voluntary Social Security Agreement.

## TRS and Social Security History



## TRS Social Security Enrollment Process

**TRS members must individually vote  
for Social Security enrollment.**

## **TRS Social Security Enrollment Process**

### **State Social Security Administrator Holds the Vote**

Voting Options:

1. TRS Members Statewide Vote
2. TRS Members Vote by Entity

## **TRS Social Security Enrollment Process**

### **TRS Member Statewide Vote**

- Requires Governor or Legislative Action
- All TRS Members Vote at One Time



## **TRS Social Security Enrollment Process**

### **TRS Members Vote by Entity.**

- Deemed Retirement System Vote
  - Each TRS employer holds an individual vote.
  - All TRS members of entity vote.

## **TRS Social Security Enrollment Process**

### **TRS Members Vote by Entity.**

- Governing Body Passes a Resolution
  - Majority Rules Vote
  - Divided Vote

## TRS Social Security Enrollment Process

### TRS Members Vote by Entity.

- Majority Rules Vote
- 50 + 1

## TRS Social Security Enrollment Process

### TRS Members Vote by Entity.

- Divided Vote
  - No votes do not enroll in social security.
  - Yes votes enroll in social security immediately.
  - All position are eventually covered.

## TRS Social Security Enrollment Process

## Voting Process

- Entity governing board passes a resolution to hold a vote.
- Mandatory 90-day education period for voting employees.
- Social Security Administration and TRS counselors educate, SSSA works with entity only.
- SSSA creates ballots.
- SSSA holds federal vote.
- SSSA certifies the vote.
- SSSA creates the modification.
- SSSA sends modification to SSA for approval.
- Social Security deductions start on effective date of modification for TRS employees who voted for enrollment.

## TRS Social Security Enrollment Process

### Time Frame for Holding Votes





## TRS Social Security Cost

Total cost of Social Security coverage is 12.4% of gross Social Security wages.

- Employer pays 6.2%
- Employee pays 6.2%

## TRS Social Security Cost

### School District in Interior Alaska

#### 14 TRS Members

2016 gross TRS contributions	\$723,446
Average TRS salary	\$ 51,675
Employer Social Security liability <i>(based on average TRS salary)</i>	\$ 3,204
Employee Social Security liability <i>(based on average TRS salary)</i>	\$ 3,204
Employer total cost for year <i>(based on gross TRS contributions)</i>	\$ 44,854

## TRS Social Security Cost

### School District in Southwest Alaska

#### 77 TRS Members

2016 gross TRS contributions	\$4,693,489
Average TRS salary	\$ 60,954
Employer Social Security liability <i>(based on average TRS salary)</i>	\$ 3,779
Employee Social Security liability <i>(based on average TRS salary)</i>	\$ 3,779
Employer total cost for year <i>(based on gross TRS contributions)</i>	\$ 290,996

## TRS Social Security Cost

### School District in Southeast Alaska

#### 401 TRS Members

2016 gross TRS contributions	\$28,161,980
Average TRS salary	\$ 70,229
Employer Social Security liability <i>(based on average TRS salary)</i>	\$ 4,354
Employee Social Security liability <i>(based on average TRS salary)</i>	\$ 4,354
Employer total cost for year <i>(based on gross TRS contributions)</i>	\$ 1,746,043

## TRS Social Security Cost

### School District in Southern Alaska

#### 780 TRS Members

2016 gross TRS contributions	\$51,055,613
Average TRS salary	\$ 65,456
Employer Social Security liability <i>(based on average TRS salary)</i>	\$ 3,996
Employee Social Security liability <i>(based on average TRS salary)</i>	\$ 3,996
Employer total cost for year <i>(based on gross TRS contributions)</i>	\$ 3,165,448

## TRS Social Security Enrollment and Cost





## Additional Information

### TRS and Medicare

Mandatory Medicare coverage began April 1, 1986.

*It was not an April Fool's Day joke!*

## Additional Information

### TRS and SBS Supplemental Benefits System

SBS enrollment:

- Contributions are required on behalf of any employee of a participating employer who would be required to be covered under Social Security, if the employer was a party to the State's Section 218 agreement.
- TRS members are not eligible for SBS enrollment.

## **Additional Information**

### **TRS Members**

- TRS Member:
  - Holds certification and position requires certification.
- 9,827 Full-time TRS members
- Members are:
  - Teachers
  - Superintendents
  - Principals
  - Nurses
  - Librarians
  - Others

## **Additional Information**

### **TRS Employers**

- 57 TRS Employers
- 53 School Districts
- 4 others:
  - University of Alaska
  - State of Alaska
  - Southeast Regional Resource Center
  - Special Education Service Agency





## Additional Information

### Today's Social Security

- Credit or Quarter of Coverage
- \$1,300 per Credit
- 40 Credits Needed
- Less Credits Needed for: SSDI and SSSI
  - Social Security Disability Insurance
  - Social Security Survivors Insurance

### Contact Me:

**Melanie E. Helmick**  
**State Social Security Administrator**  
Phone (907) 465-5707  
[Melanie.Helmick@Alaska.gov](mailto:Melanie.Helmick@Alaska.gov)

DISCLAIMER: This presentation was prepared for the exclusive use of the ARMB DC Committee. The Division of Retirement and Benefits has made every effort to ensure, but does not guarantee, that the information provided is accurate and up to date. Where this presentation conflicts with the relevant Plan Documents and federal SSA and IRS laws, Plan Documents and federal laws control.

## Final Questions







# How State and Local Government Employees are Covered by Social Security and Medicare

Do you work for an agency of a state or local government? Unlike workers in the private sector, not all state and local employees are covered by Social Security. Some only have their public pension coverage, some only have Social Security coverage, and other government employees have both a public pension and Social Security coverage.

When it began, the Social Security program didn't include any of these employees. Over the years, the law changed. Most employees have Social Security protection, because their states have special agreements with the Social Security Administration. They're called "Section 218 agreements." Congress passed a law in July 1991 extending Social Security on a mandatory basis to most state and local employees not covered by an agreement or a Social Security equivalent public pension system.

Except for workers specifically excluded by law, employees hired after March 31, 1986, also have Medicare protection. State and local governments may also get Medicare coverage for workers not covered by Social Security who have been continuously employed by the same state or local governmental employer since before April 1, 1986.

Workers covered by a Section 218 agreement automatically have both Social Security and Medicare.

State and local government employees who are covered by Social Security and Medicare pay into these programs and have the same rights as workers in the private sector.

## State Social Security Administrators

Each state has a designated official, called the State Social Security Administrator, who is responsible for the state's Section 218 agreement. The State Administrator can provide information and answer questions about Social Security and Medicare coverage under the agreement. You can find contact information for the administrator in your state by visiting the website, [www.ncsssa.org/statessadminmenu.html](http://www.ncsssa.org/statessadminmenu.html).

## Why your Social Security coverage is important

Social Security is more than a retirement program. Social Security benefits can help support your family when you die and can provide monthly benefits when you retire or if you become severely disabled. Your employment under Social Security helps you and your family qualify for those benefits. We base these benefit amounts on the earnings reported to Social Security. Therefore, make sure your earnings record is correct.

As a state or local worker, there are two parts of the law that may affect your Social Security benefit amount if you receive a retirement or disability public pension not covered by Social Security. One part, called the *Windfall Elimination Provision*, affects the way we calculate your Social Security retirement or disability benefits. The other, the *Government Pension Offset*, affects the Social Security benefit amount you get as a spouse, widow, or widower.

## Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit [www.socialsecurity.gov](http://www.socialsecurity.gov). There, you can apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement 1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience a higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.



Securing today  
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Social Security Administration  
Publication No. 05-10051

January 2017 (Recycle prior editions)

How State and Local Government Employees are Covered by Social Security and Medicare  
Produced and published at U.S. taxpayer expense





# Windfall Elimination Provision

## Your Social Security retirement or disability benefits can be reduced

The Windfall Elimination Provision can affect how we calculate your retirement or disability benefit. If you work for an employer who doesn't withhold Social Security taxes from your salary, such as a government agency or an employer in another country, any retirement or disability pension you get from that work can reduce your Social Security benefits.

## When your benefits can be affected

This provision can affect you when you earn a retirement or disability pension from an employer who didn't withhold Social Security taxes **and** you qualify for Social Security retirement or disability benefits from work in other jobs for which you did pay taxes.

The Windfall Elimination Provision can apply if:

- You reached 62 after 1985; or
- You became disabled after 1985; and
- You first became eligible for a monthly pension based on work where you didn't pay Social Security taxes after 1985. This rule applies even if you're still working.

This provision also affects Social Security benefits for people who performed federal service under the Civil Service Retirement System (CSRS) after 1956. We won't reduce your Social Security benefit amounts if you only performed federal service under a system such as the Federal Employees' Retirement System (FERS). Social Security taxes are withheld for workers under FERS.

## How it works

Social Security benefits are intended to replace only some of a worker's pre-retirement earnings.

We base your Social Security benefit on your average monthly earnings adjusted for average wage growth. We separate your average earnings into three amounts and multiply the amounts using three factors to compute your full Primary Insurance Amount (PIA). For example, for a worker who turns 62 in 2017, the first \$885 of average monthly earnings is multiplied by 90 percent; earnings between \$885 and \$5,336 by 32 percent; and the balance by 15 percent. The sum of the three amounts equals the PIA which is then decreased or increased depending

on whether the worker starts benefits before or after full retirement age (FRA). This formula produces the monthly payment amount.

When we apply this formula, the percentage of career average earnings paid to lower-paid workers is greater than higher-paid workers. For example, workers age 62 in 2017, with average earnings of \$3,000 per month could receive a benefit at FRA of \$1,473 (49 percent) of their pre-retirement earnings increased by applicable cost of living adjustments (COLAs). For a worker with average earnings of \$8,000 per month, the benefit starting at FRA could be \$2,620 (32 percent) plus COLAs. However, if either of these workers start benefits earlier, we'll reduce their monthly benefit.

## Why we use a different formula

Before 1983, people whose primary job wasn't covered by Social Security had their Social Security benefits calculated as if they were long-term, low-wage workers. They had the advantage of receiving a Social Security benefit representing a higher percentage of their earnings, plus a pension from a job for which they didn't pay Social Security taxes. Congress passed the Windfall Elimination Provision to remove that advantage.

Under the provision, we reduce the 90 percent factor in our formula and phase it in for workers who reached age 62 or became disabled between 1986 and 1989. For people who reach 62 or became disabled in 1990 or later, we reduce the 90 percent factor to as little as 40 percent.

## Some exceptions

The Windfall Elimination Provision doesn't apply if:

- You're a federal worker first hired after December 31, 1983;
- You were employed on December 31, 1983, by a nonprofit organization that didn't withhold Social Security taxes from your pay at first, but then began withholding Social Security taxes;
- Your only pension is for railroad employment;
- The only work you performed for which you didn't pay Social Security taxes was before 1957; or
- You have 30 or more years of substantial earnings under Social Security.



The Windfall Elimination Provision doesn't apply to survivors benefits. We may reduce widows or widowers benefits because of another law. For more information, read *Government Pension Offset* (Publication No. 05-10007).

## Social Security years of substantial earnings

If you have 30 or more years of substantial earnings, we don't reduce the standard 90 percent factor in our formula. See the first table that lists substantial earnings for each year.

The second table shows the percentage used to reduce the 90 percent factor depending on the number of years of substantial earnings. If you have 21 to 29 years of substantial earnings, we reduce the 90 percent factor to between 45 and 85 percent. To see the maximum amount we could reduce your benefit, visit [www.socialsecurity.gov/retire2/wep-chart.htm](http://www.socialsecurity.gov/retire2/wep-chart.htm).

## A guarantee

The law protects you if you get a low pension. We won't reduce your Social Security benefit more than half of your pension for earnings after 1956 on which you didn't pay Social Security taxes.

## Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit [www.socialsecurity.gov](http://www.socialsecurity.gov). There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement 1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.

Year	Substantial earnings
1937–1954	\$900
1955–1958	\$1,050
1959–1965	\$1,200
1966–1967	\$1,650
1968–1971	\$1,950
1972	\$2,250
1973	\$2,700
1974	\$3,300
1975	\$3,525
1976	\$3,825
1977	\$4,125
1978	\$4,425
1979	\$4,725
1980	\$5,100
1981	\$5,550
1982	\$6,075
1983	\$6,675
1984	\$7,050
1985	\$7,425
1986	\$7,875
1987	\$8,175
1988	\$8,400
1989	\$8,925
1990	\$9,525

Year	Substantial earnings
1991	\$9,900
1992	\$10,350
1993	\$10,725
1994	\$11,250
1995	\$11,325
1996	\$11,625
1997	\$12,150
1998	\$12,675
1999	\$13,425
2000	\$14,175
2001	\$14,925
2002	\$15,750
2003	\$16,125
2004	\$16,275
2005	\$16,725
2006	\$17,475
2007	\$18,150
2008	\$18,975
2009–2011	\$19,800
2012	\$20,475
2013	\$21,075
2014	\$21,750
2015–2016	\$22,050
2017	\$23,625

Years of substantial earnings	Percentage
30 or more	90 percent
29	85 percent
28	80 percent
27	75 percent
26	70 percent
25	65 percent
24	60 percent
23	55 percent
22	50 percent
21	45 percent
20 or less	40 percent



Securing today  
and tomorrow

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# Government Pension Offset

## A law that affects spouses and widows or widowers

If you receive a retirement or disability pension from a federal, state, or local government based on your own work for which you didn't pay Social Security taxes, we may reduce your Social Security spouses or widows or widowers benefits. This fact sheet provides answers to questions you may have about the reduction.

## How much will my Social Security benefits be reduced?

We'll reduce your Social Security benefits by two-thirds of your government pension. In other words, if you get a monthly civil service pension of \$600, two-thirds of that, or \$400, must be deducted from your Social Security benefits. For example, if you're eligible for a \$500 spouses, widows, or widowers benefit from Social Security, you'll get \$100 a month from Social Security ( $\$500 - \$400 = \$100$ ). If two-thirds of your government pension is more than your Social Security benefit, your benefit could be reduced to zero.

If you take your government pension annuity in a lump sum, Social Security will calculate the reduction as if you chose to get monthly benefit payments from your government work.

## Why will my Social Security benefits be reduced?

Benefits we pay to spouses, widows, and widowers are "dependent" benefits. Set up in the 1930s, these benefits were to compensate spouses who stayed home to raise a family and were financially dependent on the working spouse. It's now common for both spouses to work, each earning their own Social Security retirement benefit. The law requires a person's spouse, widow, or widower benefit to be offset by the dollar amount of their own retirement benefit.

For example, if a woman worked and earned her own \$800 monthly Social Security benefit, but was also due a \$500 wife's benefit on her husband's record, we couldn't pay that wife's benefit because her own benefit offset it. But, before enactment of the Government Pension Offset, if that same woman was a government employee who didn't pay into Social Security and earned an \$800 government pension, there was no offset. We had to pay her a full wife's benefit and her full government pension.

If this person's government work had been subject to Social Security taxes, we would reduce any spouse, widow, or widower benefit because of their own Social Security benefit. The Government Pension Offset ensures that we calculate the benefits of government employees who don't pay Social Security taxes the same as workers in the private sector who pay Social Security taxes.

## When won't my Social Security benefits be reduced?

Generally, we won't reduce your Social Security benefits as a spouse, widow, or widower if you:

- Receive a government pension that's not based on your earnings; or
- Are a federal (including Civil Service Offset), state, or local government employee and your government pension is from a job for which you paid Social Security taxes; and:
  - Your last day of employment (that your pension is based on) is before July 1, 2004; or
  - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time); or
  - You paid Social Security taxes on your earnings during the last 60 months of government service. (Under certain conditions, we require fewer than 60



months for people whose last day of employment falls after June 30, 2004, and before March 2, 2009.)

There are other situations for which we won't reduce your Social Security benefits as a spouse, widow, or widower; for example, if you:

- Are a federal employee who switched from the Civil Service Retirement System (CSRS) to the Federal Employees' Retirement System (FERS) after December 31, 1987; and:
  - Your last day of service (that your pension is based on) is before July 1, 2004; or
  - You paid Social Security taxes on your earnings for 60 months or more during the period beginning January 1988 and ending with the first month of entitlement to benefits; or
  - You filed for and were entitled to spouses, widows, or widowers benefits before April 1, 2004 (you may work your last day in Social Security covered employment at any time).
- Received, or were eligible to receive, a government pension before December 1982 and meet all the requirements for Social Security spouse's benefits in effect in January 1977; or
- Received, or were eligible to receive, a federal, state, or local government pension before July 1, 1983, and were receiving one-half support from your spouse.

**Note:** A Civil Service Offset employee is a federal employee, rehired after December 31, 1983, following a break in service of more than 365 days, with five years of prior CSRS coverage.

## What about Medicare?

Even if you don't get cash benefits from your spouse's work, you can still get Medicare at age 65 on your spouse's record if you aren't eligible for it on your own record.

## Can I still get Social Security benefits from my own work?

The offset applies only to Social Security benefits as a spouse, or widow, or widower. However, we may reduce your own benefits because of another provision. For more information, ask for *Windfall Elimination Provision* (Publication No. 05-10045).

## Contacting Social Security

The most convenient way to contact us anytime, anywhere is to visit [www.socialsecurity.gov](http://www.socialsecurity.gov). There, you can: apply for benefits; open a *my* Social Security account, which you can use to review your *Social Security Statement*, verify your earnings, print a benefit verification letter, change your direct deposit information, request a replacement Medicare card, and get a replacement 1099/1042S; obtain valuable information; find publications; get answers to frequently asked questions; and much more.

If you don't have access to the internet, we offer many automated services by telephone, 24 hours a day, 7 days a week. Call us toll-free at **1-800-772-1213** or at our TTY number, **1-800-325-0778**, if you're deaf or hard of hearing.

If you need to speak to a person, we can answer your calls from 7 a.m. to 7 p.m., Monday through Friday. We ask for your patience during busy periods since you may experience higher than usual rate of busy signals and longer hold times to speak to us. We look forward to serving you.



Securing today  
and tomorrow

Social Security Administration  
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# my Social Security

## How to Create an Online Account

You can create a *my* Social Security account to access your *Social Security Statement* to check your earnings and get your benefit estimates.

If you receive benefits, you can also:

- Get your benefit verification letter;
- Change your address and phone number;
- Start or change your direct deposit;
- Request a replacement Medicare card; and
- Get a replacement SSA-1099 or SSA-1042S for tax season.

Even if you do not currently receive benefits, you can:

- Check the status of your application or appeal.
- Get a benefit verification letter stating that you:
  - never received Social Security benefits, Supplemental Security Income (SSI) or Medicare; or
  - received benefits in the past, but do not currently receive them (The letter will include the date your benefits stopped and how much you received that year.); or
  - applied for benefits but haven't received an answer yet.

You may be able to use your free *my* Social Security account at [www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount) to request a replacement Social Security card online, as long as you live in one of the participating states or the District of Columbia, are not requesting a name change or any other change to your card, and you meet other requirements.

There is no fee to create a *my* Social Security account, but you must have an email address. See other side for instructions on setting up an account using an activation code.

### Email account set up

There are many options available to set up an email address and it can be done in as little as five minutes. Each email provider has its own criteria for setting up an account and you must accept the provider's terms of use agreement. Some examples of free email providers include:

**AOL:** [aolmail.com](http://aolmail.com)

**Gmail:** [gmail.com](http://gmail.com)

**iCloud Mail (Apple):** [icloud.com](http://icloud.com)

**Outlook:** [outlook.com](http://outlook.com)

**Yahoo:** [yahoo.com](http://yahoo.com)

*\*This is not a complete list of email providers. Social Security is not endorsing any of these particular email account provider(s), as you may use other email account providers as appropriate.*

**NOTE:** *Even if you do not use email on the computer, if you have a smart phone it is likely that you already have an email account. Contact your cell phone service provider to find out.*

### Setting up your own *my* Social Security account

After you have a valid email address, you are ready to set up your own *my* Social Security account. To set up your account, visit [www.socialsecurity.gov/myaccount](http://www.socialsecurity.gov/myaccount) then follow the steps on the back of this page:



To create a *my* Social Security account, you must be at least 18 years old and have:

- 
- The screenshot shows the top section of the Social Security Administration website. At the top, there is a navigation bar with the text "Create an Account" on the left and "Sign In" on the right. Below the navigation bar, there is a large banner area. On the left side of the banner, there is a section titled "Don't have an account?" with two links: "Learn More" and "Important Information". On the right side of the banner, there is a text block that reads: "Set yourself free. Open a my Social Security account today and rest easy knowing that you're in control of your future." Below this text is a blue button with the text "Sign In or Create an Account". A red circle is drawn around this button. At the bottom of the page, there is a footer area with the text "Create An Account" highlighted by a red circle.

You may have been given a letter with an activation code to complete the creation of your *my* Social Security account.

- 
- Please enter the account activation code we gave you
- Account Activation Code
- Next Exit



# Social Security

Please tell us who you are

Your Name

As shown on your Social Security card

First

M.I.

Last

Suffix

Social Security Number (SSN)

Date of Birth

Month

Day

Year

- Then, select how you would like to receive a one-time security code by providing the email address you registered or text-enabled cell phone number. You'll then receive a security code via text or email that you will need to enter within 10 minutes to finish creating your account.



The screenshot shows the 'Get your security code' screen in a web browser. At the top, the Microsoft logo and 'Social Security' text are visible. The main heading is 'Get your security code'. Below it, a message states: 'We will provide a security code each time you sign in.' There are two links: 'Full step-by-step' and 'Full step-by-step'. A section titled 'How do you want to receive your security code?' offers two options: 'Text Message' (selected) and 'Our latest text app'. Below these options is an 'Email' button. A section titled 'Call Phone Number' includes a label '10-digit number:' and a text input field. At the bottom, there are 'Next' and 'Exit' buttons.

**Social Security**

1 We want a text message to (909) 999-1009

Please enter one of 2 minutes for the first message to arrive.  
The second message will arrive 10 minutes from its first.

Please enter your security code

INSTRUCTIONS:

- Check that you have entered the correct cell phone number.
- Check your notification and text messaging.
- Use the code that is sent at a location where your phone can't be tracked.
- Check that you have entered the correct cell phone number.

Still having trouble?

For more information, visit [www.ssa.gov/online/ssa1040n.htm](#) or call 1-800-772-6842.

Enter the security code you just received

Submit Security Code | Previous | Next

**Social Security**

1 We want an email to alex27@gmail.com

Please enter one of 2 minutes for the security code to arrive.  
The security code will arrive 2 minutes from the time it was requested.

Please enter your security code

INSTRUCTIONS:

- Check that you have entered the correct email address.
- Check that you have entered the correct email address.
- Check that you have entered the correct email address.
- Check that you have entered the correct email address.

Still having trouble?

For more information, visit [www.ssa.gov/online/ssa1040n.htm](#) or call 1-800-772-6842.

Enter the security code you just received

Submit Security Code | Previous | Next



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**Charter of the Defined Contribution Plan Committee  
of the Board of Trustees of  
the Alaska Retirement Management Board (ARMB)**

I. Committee Purpose.

The Committee has the authority to research, review and recommend policies and procedures that it believes may be beneficial to the members of the retirement systems, or that represent best practices, or that result in efficient administration of the defined contribution plan for public employee members and teachers. The Committee may request assistance from staff at the Departments of Revenue and Administration, and through the board chair, from the state actuary. The Committee makes recommendations to the board; it does not have authority to act on behalf of the board.

II. Committee Members.

The Committee consists of at least three Trustees, who have expressed a willingness to serve on the Committee and have been duly appointed by the Chair.

III. Committee Meetings.

The Committee shall meet as frequently as circumstances dictate. The Committee Chair shall prepare and/or approve an agenda in advance of each meeting. The Committee shall maintain minutes of Committee meetings and periodically report to the ARMB on significant results of the Committee's activities.

IV. Committee Responsibilities and Duties.

The Committee shall carry out the following responsibilities:

1. Review and assess the adequacy of this Charter at least annually and submit recommended changes to it to the Board of Trustees for approval.
2. In consultation with staff, the chief investment officer, the director of the division of retirement and benefits, consultants and other experts, consider and review such defined contribution plan proposals or policies as may from time to time come before it and make appropriate recommendations for action to the board of trustees.
3. Periodically perform self-assessment of the Committee's performance.